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## **I. TASK ORDERS: PROGRESS, ACTIVITIES, RESULTS**

### **A. Jordan Tourism Development Project (SIYAHA), TO #21**

*Start Date: August 10, 2005*

*Completion Date: August 9, 2008*

*Amount of Task Order: \$17,132,991*

#### **QUARTERLY HIGHLIGHTS**

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The SIYAHA project is working to promote Jordan's competitiveness as an international tourism destination. The two primary objectives are to: 1) ensure institutions and policies are in place that will facilitate the implementation of the National Tourism Strategy; and, 2) promote sustainable tourism projects, which involve the private-sector resources and participation by local communities, local and international NGOs, and associations, among others, that serve as replicable models of sustainability and best practices.

This quarter focused on consensus-building with key stakeholders to ensure the smooth progress of SIYAHA's main goals and objectives. SIYAHA achieved buy-in and support from stakeholders on several key programs and/or initiatives including the Human Resource Development Council and the Centers of Excellence Program. In relation to project management, the project is fully staffed and subcontracts are essentially in place. The work plan and several other deliverables have now been submitted to USAID and the first awards under the grants program have been made.

Other highlights of the quarter include the following activities.

#### **Developing the Crisis Response and Recovery Plan**

Jordan experienced a dramatic event affecting tourism in the country. On November 9, 2005, three hotels in Amman were attacked by suicide bombers. These incidents of terrorism were clearly aimed at the tourism sector in the belief that this is where most damage could be inflicted. Within 30 minutes after the terrorist attacks, SIYAHA established contact with the Minister of Tourism, Secretary General, Assistant Secretary General, Head of the Jordan Tourism Board (JTB), and Minister's Office Manager. They requested Senior Consultant, Mr. Matt McNulty, to act as the Advice Center Leader, with support from Communications Expert, Mr. Sean Carberry. The Minister, Secretary General and JTB were provided with a crisis response plan in less than 24 hours following the incidents. SIYAHA then secured three international consultants with experience in crisis communication and tourism marketing to join the JTB team and start working in London within 72 hours following the incident. Required support for the sector was also discussed in-depth with the Strategy Steering Committee (SSC).

## **Briefing the New Minister of Tourism**

Following the Cabinet change on November 27, 2005, a new Minister of Tourism was named, H.E. Mr. Munir Nassar. SIYAHA held a reception in order to welcome him and to wish the former Minister farewell and thanking her for all her support and continued effort in facilitating the implementation of the project during its initial stages. Representatives of the United States Embassy and USAID's office of Economic Opportunities attended the event as well as key project stakeholders. SIYAHA oriented the new Minister on the project's activities and objectives, gaining his support to continue pursuing them.

## **INSTITUTIONAL AND SECTOR REFORM**

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Efforts for the quarter were wide ranging, and included focus on Centers of Excellence (COE), institutional arrangements at the Ministry of Tourism and Antiquities (MOTA) and the Department of Antiquities (DOA), transport and licensing, and legal reform. There were two significant achievements. SIYAHA presented the Centers of Excellence Program (COE) process and methodology, to partner organizations. The presentations highlighted benefits and pre-requisites for successful implementation and recommended next steps. Buy-in from the participating organizations into the COE process was achieved and team members have been identified in two of the four organizations (JTB and JHTEC).

An agreement was also reached between MOTA and the DOA on the differences of the principle roles between them. This delineation focuses on site management and identifying the major principles of setting a strategy for managing the historic environment, including private-sector involvement. This strategy must be in accord with the recommendations set forth in the "Assessment of Department of Antiquities and Proposal for a New Strategic Framework" report.

## **Developing A Strategy for Heritage Management**

Building on the "Assessment of Department of Antiquities and Proposal for a New Strategic Framework", a workshop was arranged on October 20, 2005 to agree upon and finalize the recommendations set forth in the report. This meeting included the former Minister of Tourism and Antiquities, Dr. Alia Bouran, the Secretary General, Mr. Farouk Al Hadidi, and the DOA Director General, in addition to the technical staff of both MOTA and DOA. Despite lengthy discussions, consensus was not reached. Therefore, a follow-up meeting was called for to conclude the previous discussions present a case study on Jerash.

On October 26, 2005, another DOA workshop was held. Senior Consultant Mr. Matt McNulty presented Jerash as a case study for private sector management of public sites according to international best practices. IBLAW, a SIYAHA subcontractor, presented a legal assessment of what the roles, responsibilities, and functions of MOTA and the DOA might be if they accepted private-sector management of public sites. No defined outcome was reached.

During this quarter, IBLAW conducted a legal analysis of the role of the DOA and MOTA in planning control, land use, zoning, building codes, and easements. Mr. Hankey held meetings with the DOA, MOTA and the Ministry of Rural and Municipal Affairs to investigate the issues surrounding heritage and antiquities protection. Subsequently, Mr. Hankey and IBLAW presented their findings to the USAID representatives, including the Deputy Mission Director, Mr. Mike Harvey and the Director of Office of Economic Opportunities, Ms. Diana Putman. It was agreed that the issues discussed should be further investigated and addressed by SIYAHA.

IBLAW and Mr. Hankey discussed IBLAW's assessment of development planning and control as it related to archaeological sites. Mr. Hankey developed a model framework for international best practices in development planning and control in and around archaeological sites, which could be applied to the Jordanian context.

Following the DOA workshop, SIYAHA helped the DOA develop a presentation to share with H.E. the Minister of Tourism and Antiquities. This presentation identified DOA's position on a number of issues including redefining the roles of DOA and MOTA related to site management and identifying the major principles of setting a strategy for the management of the historic environment. H.E. the Minister requested a follow-up meeting between Director General of DOA and Secretary General of MOTA to further discuss and agree on the principles. However, due to the Cabinet changes, the meeting did not take place.

Presentations and all related materials were compiled and provided to the newly assigned minister of tourism and antiquities, H.E. Mr. Munir Nassar in order to update him on the SIYAHA project and to get DOA's consensus. H.E. the Minister has agreed to a meeting with the Director General of the DOA to discuss next steps for activities started under the former minister and will then re-launch activities in coordination with Secretary General of MOTA.

The second phase of the strategy development, to agree on the roles and functions of DOA, was initiated during this quarter. Mr. Hankey carried out a series of meetings with the various DOA departments to assess their current capacities. Mr. Hankey's recommendations require resources necessary to support the revised organizational structure and modified role of DOA.

### **Strengthening Institutional Capacity through Centers of Excellence**

Following the consensus reached on the COE program, a detailed scope of work as presented to the DOA for implementation. As a result, Dr. Fawaz Khreisha, Director General of DOA, reiterated his commitment to the program and confirmed that the DOA COE team would soon be established. To continue to build upon the momentum gained, SIYAHA staff met with partner organizations to present the COE Program process and methodology. These meetings highlighted the benefits to the participating organizations, pre-requisites for successful implementation, and recommended next steps.

The JTB voiced their support and enthusiasm toward launching the program. Mr. Mazen Hmoud, Managing Director of JTB, assigned his newly hired Deputy Managing Director, Mr. Fayiz Khoury, to oversee the program and take the lead on the leadership criterion. Mr. Khoury

identified four JTB team members who will each take charge of one of the COE criteria. SIYAHA held one-on-one meetings with the JTB COE team members to explain their roles and responsibilities and to kick off COE activities.

A presentation was developed and delivered to the Minister of Tourism and Antiquities who voiced support and enthusiasm toward the program. The next step is for H.E. to present the program to the senior management at the ministry, gain their consensus, and assign members to be on the COE team. SIYAHA also met with the Jordan Hospitality and Tourism Education Company (JHTEC) Managing Director, Mr. Waddah Abu Al-Ghanam, to present the COE Program. Four members of the JHTEC will be assigned to each of the COE criteria. Mr. Abu Al-Ghanam will take on the leadership role.

The Royal Society for Conservation of Nature (RSCN) will participate in the training program and will not be considered as a participating organization in the COE Program since it is not a public-sector organization and therefore the COE criteria do not fully apply.

### **Liberalizing Ground Tourism Transport**

The National Tourism Strategy (NTS) Institutional and Regulatory Implementation Action Plan identifies the need to evaluate transport competitiveness, including liberalizing tourism transport activities while maintaining quality, safety, public interest, and review transferring authorities to the Public Transport Regulatory Committee (PTRC). SIYAHA will continue work on the preliminary assessment, carried out by Achievement of Market-Friendly Initiative and Results Program (AMIR), which documented both the current structure of the tourism transportation sector in Jordan in 2005 and provided an overview of the current barriers. The report identified the current regulation limiting investors' endeavors by restricting opening a bus business unless the company has 50 buses and a capital of JD 10 million as the largest barrier requiring reform. The assessment is being further developed by SIYAHA in order to recommend an action plan to remove barriers in current legislative and institutional framework and also identify opportunities for new transportation products. These recommendations are the first steps to meet the challenges in 2010 under the NTS. Liberalizing ground tourism transport will promote a more competitive market, enhance the pricing structure, and remove barrier for investors to enter the market.

To achieve these results, SIYAHA began the process of identifying a tourism transport specialist to present a number of examples of international best-practice models in tourism ground transport. SIYAHA, also met with Mr. Bob McDonald, AMIR Consultant on the liberalization of the information and communication technology (ICT) Sector, to discuss the liberalization process based on his experience in Jordan.

Based on the assessment, the Tourism Transport Regulation will be amended to reflect the recommendations. The final result of this activity will be a more liberalized and modern tourist bus market with at least one new license application received by MOTA.

## **Streamlining Licensing Processes**

The National Strategy Implementation Action Plan identifies the need to streamline licensing processes for tourism professions by introducing rational and transparent licensing requirements. Specifically, this targets reforms needed for the municipal role and facilitation of license renewal. Doing so will remove obstacles, streamline procedures, and clarify roles of the entities involved in issuing pre-approvals and licenses to enterprises (e.g. Civil Defense, Ministry of Health, and others as relevant).

SIYAHA aims to establish best-practice business processes by streamlining the licensing processes for tourism professions, using a pilot model approach. Support will be provided under a two-staged approach. The first stage will comprise the diagnostic stage of assessing the current restaurant & hotel licensing process at MOTA, previously initiated by AMIR and continuing in coordination with SIYAHA. The second stage will consist of implementation, led by SIYAHA. Al-Jidara will carry out both phases of the program. A kick-off meeting was held with the Secretary General, Mr. Farouk Al Hadidi, and the MOTA team on November 10, 2005 to explain the project and agree on the next steps. One success of the meeting was to secure buy in from the ministry.

Upon finalization of the diagnostic assessment of MOTA's licensing procedure, SIYAHA will work with the Professions Directorate in MOTA to redesign the licensing procedure of one profession (hotels or restaurants) during the first quarter of 2006.

## **Reforming Tourism Law**

SIYAHA met with IBLAW to agree on the process and immediate actions needed to take place for the reform of the Tourism Law. A meeting with the Minister of Tourism and Antiquities was held to present a matrix outlining issues regarding policy, regulatory, and institutional areas that need to be resolved in the reform of the law. IBLAW was tasked with developing a detailed action plan outlining resource requirements, milestones, timeframes, and pertinent stakeholder groups for the process of Tourism Law Reform.

**B. Ukraine Land Titling Initiative (ULTI), TO #811**

*Start Date: June 22, 2001*

*Completion Date: September 20, 2006*

*Amount of Task Order: \$22,492,149*

**PROGRESS ON OVERALL OBJECTIVES – October 2005**

On September 30, 2005, Chemonics and USAID concluded an agreement for the third extension and expansion of ULTI through September 2006. A revised work plan reflecting the new NGO formation requirements set forth in this extension agreement will be prepared and submitted to USAID for review and approval in mid November after completion of ULTI's analysis and drafting of a charter to form an NGO for future operation and finance of the legal aid program.

The objective of forming an NGO for legal aid services is to facilitate long-term continuation of the legal aid and public education programs for rural landowners beyond the currently scheduled end of the ULTI project while creating conditions that permit the NGO to seek and secure additional sources of funding besides ULTI and USAID. ULTI's analysis and preparation of the charter and the system of NGO governance will be based on an approach that enables the NGO to seek and receive funding from multiple donor sources (both government and private foundation). The charter will also structure the NGO to continue to provide free of charge legal services on land issues to rural citizens on a nationwide scale as its primary objective while enabling the NGO to develop and test fees for services that do not conflict with free of charge services but that do support development of the land market in rural areas after lifting of the Moratorium on land sales.

ULTI will also prepare and submit a sustainability plan with budget guidance so USAID may plan and assure survival of the NGO and the provision of free of charge legal services for a two year period, 2006-2007. The initial funding of the NGO for continuing provision of free of charge legal services to rural citizens will be provided through ULTI until September 2006. The NGO will then have need for USAID to continue financing to maintain its current, nationwide service levels until the end of 2007. To facilitate these fund raising efforts, the NGO will also be organized and structured so that its foundation documents include high international standards of practice with respect to professional ethics as well as strong bylaws that regulate and prevent conflicts of interest with respect to clients and concerning its own financial transactions, to the extent that is possible under existing Ukrainian law.

Following President Yushchenko's appointment of Mikola Sidorenko as the new director of Dershkomzem by Presidential Order 1161/2005, ULTI managers scheduled and held an introductory meeting with Mr. Sirdorenko. The new director of Dershkomzem stated his personal commitment to fulfill President Yushchenko's instructions to put a modern, unified land and building registration system into operation, emphasizing the need to provide public education and legal aid in every village in every oblast so all citizens understand and can protect their land ownership rights.



ULTI presented the project's activities and results to date. We also offered the new Dershkomzem management team a comprehensive technical assistance program within ULTI's current task order. ULTI assistance to the new management team at Dershkomzem is envisioned to continue direct ULTI support of production of SAs while helping to prepare and implement legislation and administrative reforms through a working group including Ministry of Justice and BTI representatives. At the same time, ULTI also offered Dershkomzem comprehensive management, legal and technical advisory assistance from ULTI experts in order to reduce costs and improve performance in State Act issuance by the Project Implementation Unit (PIU) responsible to implement the World Bank cadastral loan rural land titling program. So far, after 18 months, the \$195 Million WB cadastral loan (including the \$85 million rural land titling component) has not completed any production of any rural land titles while the key PIU positions overseeing the program have been in a state of turnover.

This month, ULTI was verbally informed by one outside contractor (BLOM, a Danish company) and by contacts inside Dershkomzem that the GOU has cleared the initial payment on one subcontract for mapping and rural land titling work in Vinnitsa and Odessa oblasts. The contractor has further indicated verbally that they would like to cooperate with ULTI to restructure the scope of work to include incomplete land titling work originally started at villager expense in Vinnitsa oblast. If fulfilled, this proposal may necessitate subcontracting of legal aid services through the proposed ULTI legal aid NGO to assist in verification and completion of the previously unfinished work without additional cost to villagers under the old, incomplete contracts. ULTI will actively promote this development through our Dershkomzem working group, including joint efforts with Dershkomzem's new management to restructure the WB rural land titling program to include this incomplete work, titling for village house and garden plots and elimination of title registration fees for villagers. ULTI's next working group meeting with Dershkomzem on these issues is scheduled 3PM November 21.

The GOU badly needs new reforms and improved implementation programs to complete the agricultural land reform and to build unified land, building and mortgage markets. This is a complex and vital undertaking affecting 50%, or more, of Ukraine's potential GDP. Further, at best, ULTI believes only about half of the initial 7 million agricultural land titles are issued and less of the estimated 10 million rural house and garden plot land titles are done. While the funds in the WB rural land titling program are sufficient to complete most of this land titling, the scope of work of the WB project has yet to be improved to include all the land titling that can and should be done with these funds. These reforms and programs must be properly prepared as well as timely implemented by competent and committed personnel in order fully to implement the rural land reform and realize the expected economic benefits.

A VR deputy, L. Usachenko, who is actively coordinating this effort with the Our Ukraine leadership in the VR and the Cabinet of Ministers, recently met Mr. Sydorenko at DKZ to encourage this restructuring in cooperation with ULTI. At the same time this deputy has requested a policy recommendation letter from ULTI for hand delivery to the Prime Minister so that the CoM may also take up this issue with the World Bank. ULTI will provide this policy recommendation letter to this deputy next month at the same time as the meeting with the Dershkomzem working group. The recommendation will initially be a simplified summary of the

policy recommendations made at ULTI's land registration conference in JULY and reported in full last month. A copy of the letter will be provided to USAID for reference with English translation. We are guardedly optimistic that this approach may lead to an agreement with the GOU to work step by step with ULTI to restructure the WB rural land titling project to include more rural titles and to eliminate village payment of registration fees for all free of charge land privatizations.

There is a lively "corridor" debate on these issues among interested officials in rival institutions seeking to consolidate bureaucratic positions to control the registration and record keeping processes essential for effective operation of these markets. But there also remains a longstanding, 10 year stalemate blocking real unification of registration, transaction and record keeping tasks under one effective authority whose sole duty is to secure and protect all land and building ownership rights without conflicts of interest. Further, this institutional impasse has hardened and worsened over time by a similarly longstanding lack of public debate, understanding and pressure to reach conclusions that are in keeping with the larger public interest instead of the narrower bureaucratic interests.

To help resolve this impasse and invigorate public understanding and debate of land market issues, ULTI is organizing and leading a second major land market policy forum and press conference on delimitation in cooperation with the Ukrainian Association of Cities (UAC) in Kiev on November 30 and December 1 just before the UAC annual meeting. Over forty five GOU, local government, donor, private sector and media stake holders are invited to participate. Presentations feature local government, ULTI and expert proposals together with DKZ, Ministry of Justice and BTI responses on ULTI's proposed delimitation legislation and on how formation and implementation of unified land, building and mortgage markets and title registration system undergirds local government economic development and finance.

For ULTI's July public policy conference findings and recommendations on urgent measures to complete the land reform and develop unified land building and mortgage markets, see the detailed information in the July ULTI report

This month, ULTI also continued to work directly with other land market stakeholders, oblast and local officials, DKZ, MOE , MOJ and BTI officials and key VR deputies to draft a revised land registration law and implementing regulation based on the July ULTI conference recommendations. New legislative work also included preparing improvements to the land lease law to protect incomes of new landowners and recommendations for restructuring the WB rural land titling project to ease ownership and investment constraints on land and buildings for local governments. A new junior lawyer has been recruited and is expected to join the staff on a short term basis this fall to strengthen this effort. The completed draft of the new delimitation law is in the process of submission to the VR next month In coordination with the Association of Ukrainian Cities.

ULTI continued to refine new methodologies in small, regional pilot project subcontracts to solve Ukraine's increasingly complex array of incomplete rural land titling problems. This work is essential for improving the WB rural land titling project and to ensure it includes all

agricultural land titling work as well as house and garden plots. In Ivano Frankivsk, Zhitomir and Transcarpathia, ULTI's mass production and performance based payment methods already reduced costs of preparation and issuance of SAs for house and garden plots from over 150 UAH to 35UAH. If applied nationwide through the WB rural land titling program for an estimated 10 million eligible rural citizens, these methods would save the GOU and rural citizens another US \$250 million while rapidly accelerating mass scale development of rural land and mortgage markets. In Poltava, Vinnitsa, Volyn, Ternopil, and Khemilnitski oblasts, new land titling methods employ legal aid centers to close out old, unfinished and high cost subcontracts while finishing SA issuance under reduced cost ULTI subcontracts at 15 UAH or less per land share for about 100,000 villagers. Results are completion of State Act issuance in as little as 3 months. If applied for all 2 million incomplete cases through the WB rural land titling program, this methodology would save villagers and the GOU another \$15 million while much more rapidly completing the agricultural land reform.

An additional pilot project to finish incomplete titling work, to prepare and issue State Acts for village house plots and garden plots and to solve land disputes among ethnic groups has been proposed in Crimea subject to ULTI conditions and to the extent that time and funds remain available. New land titling subcontracts for these problematic cases have been negotiated and are already to sign for 13,000 parcels in two raions in Crimea based on satisfactory compliance with ULTI conditions. In the case of Crimea, allocation and titling of house and garden plots together with land shares is a workable and promising methodology to settle claims of landless villagers and Tatars without causing social conflict with other villagers by forced reduction in the size of their existing land shares / parcels. This method and this pilot project were both endorsed by a confirming letter of request for this assistance issued by the PM of the autonomous republic of Crimea sent to USAID Mission Director Earl Gast this month.

Oblast governors in Odessa and Cherkasy oblasts also formally requested that ULTI conduct pilot first registration projects to resolve land market obstructions blocking SA issuance (such as conflicting claims over improvements like irrigation systems, buildings or other improvements to land whose ownership is linked to agricultural property shares instead of agricultural land shares). Both these proposed projects are in response to new local government economic development initiatives. These pilot projects have reserved funds but may only be carried out if sufficient time is available to complete all work prior to the end of the ULTI project. Detailed specifications for one of the three possible communities in Odessa are under review. There was no further progress this month on the part of the Cherkasy state administration to prepare materials and specify a community and there is no more preparation time available to do so and still complete work by the scheduled end of the ULTI project so the Cherkasy proposal is cancelled.

As of this month, ULTI has issued a total of 1,191,500 State Acts for agricultural land in 1639 Work Areas. A work area is usually one village rada. ULTI staff verified that these State Acts have actually been issued. This month 34,500 titles were issued. Additionally, 70,000 titles in 132 Work Areas are in the hands of the authorities waiting to be issued to citizens. The issuance backlog decreased by about 15,000 this month compared to last month. Altogether, State Acts have now been issued or prepared and delivered for issuance for 1,051,890 citizens to date.

This month, ULTI has 106 contracts still in progress. These contracts have 820 Work Areas in progress, covering 457,000 Land Share Certificates.

Fig. 1 shows planned vs. actual progress to date for agricultural land titling. We have adjusted our targets from 970,000 land shares contracted/1.8 million SAs issued to 1400000 land shares contracted/1.7 million SAs issued. This adjustment reflects the actual ALT contracting budget, the reduction in number of State Acts issued per land share as a result of inconsistent state policies, significant savings achieved by project engineered methodologies and the reduced market pricing levels for our contracts as a result of competitive tendering.

Fig. 2 shows land titling by work areas (village radas) and by oblast in Ukraine.

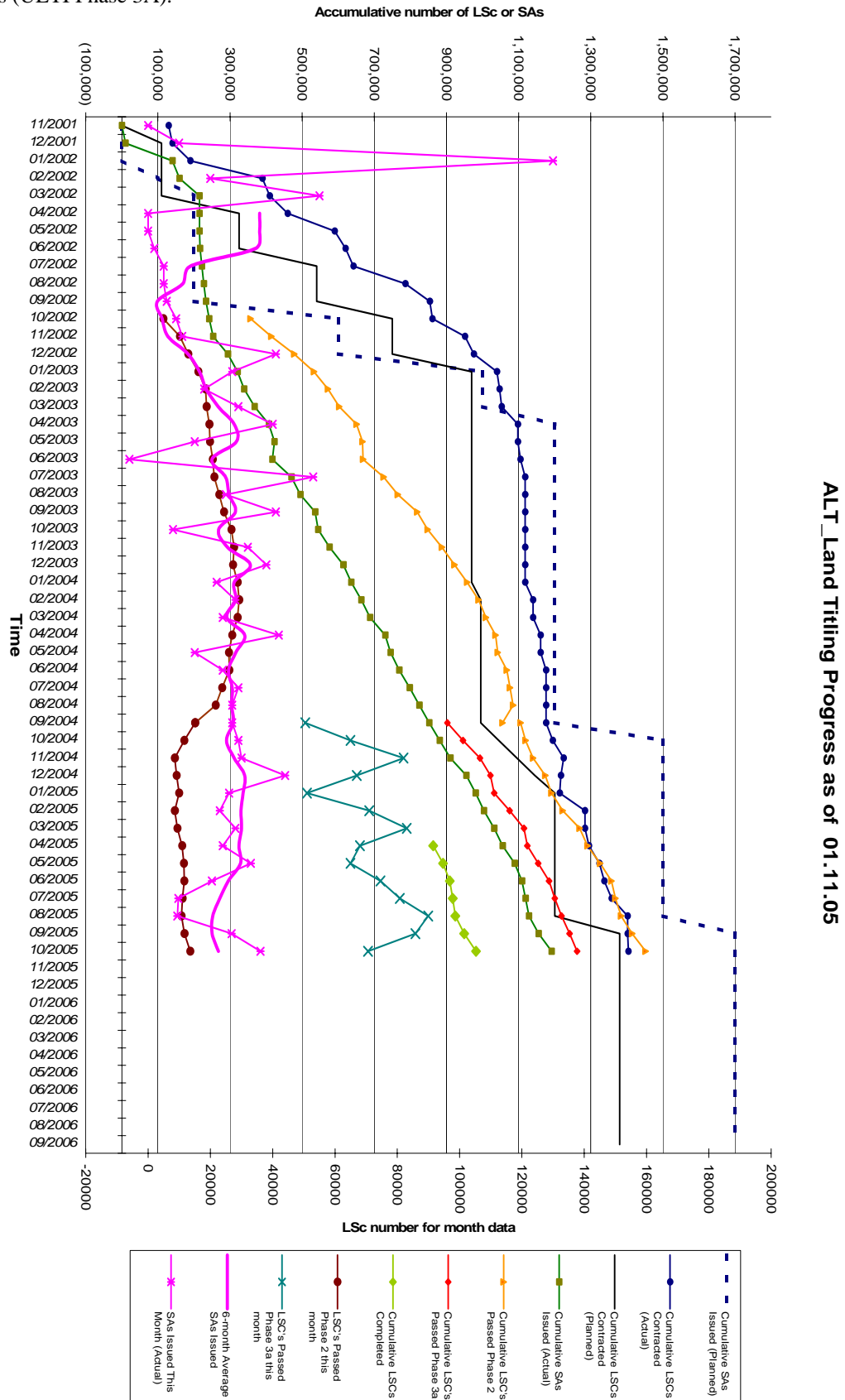
Our contracting policy is to sign contracts on the basis of Land Share Certificates (LSC's), not State Acts. One LSC was issued per person. Some LSC's are converted into multiple State Acts: On average across all of our completed Work Areas, 1.25 SAs are issued for each LSC contracted. Our contracts thus yield a larger number of State Acts than the basic number of LSC's contracted.

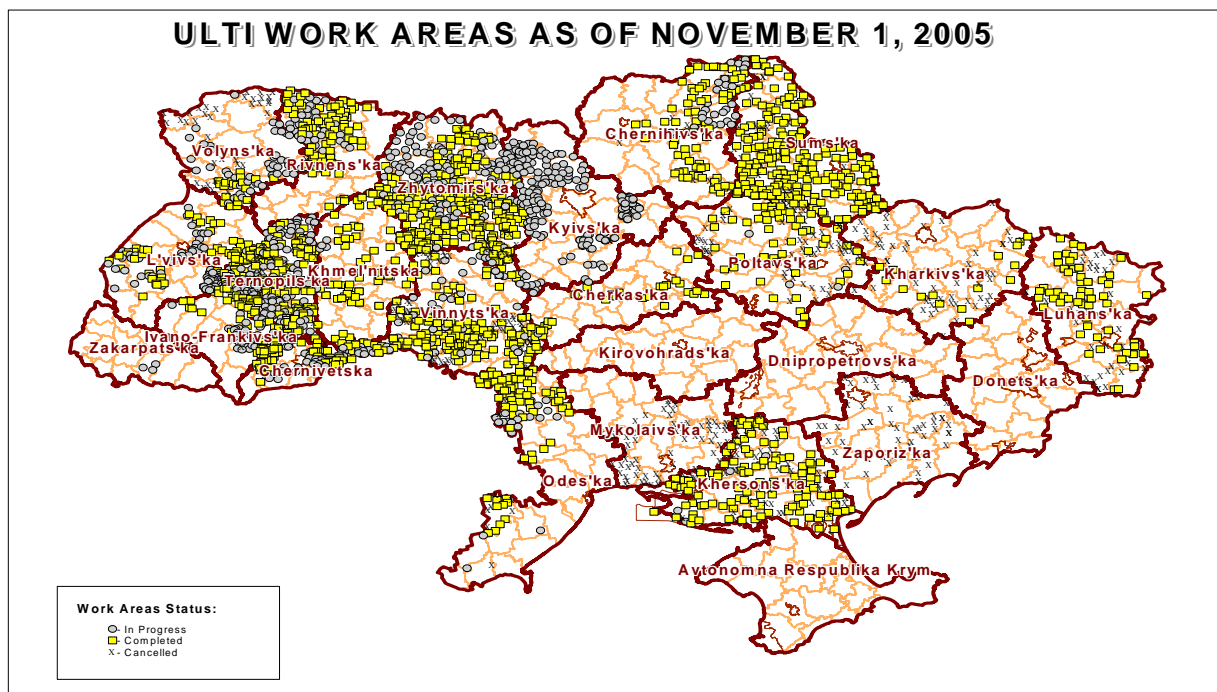
We estimate that on average, each LSC is converted into approximately 2.75 land parcels. We therefore estimate that we have issued titles to about 3,000,000 parcels. However, due to DKZ procedures and shortages of state act blank forms, these multiple parcels are now usually entered into one single SA for printing and issuance.

As part of this work, 98,000 of Derzhkomzem's unfinished surveys and land titles have been re-contracted through ULTI; 54,000 from that amount have now been completed and State Acts issued. For this work, the ULTI legal aid centers also confirm that the prior survey contract has been cancelled and the ULTI field inspection team verifies that no payments have been made by villagers to complete the unfinished work after ULTI took over management and support of the title preparation process.

### Progress Chart

Fig. 1. ALT progress in issuing State Acts for agricultural land as of this month. Large volumes of Land Share Certificates are awaiting assignment to citizens by the authorities (ULTI Phase 2 complete), or issuance to citizens by the authorities (ULTI Phase 3A).





#### Map

Fig. 2. ALT overview map as of June 1, 2004. The map shows Local Radas in which ULTI is supporting land titling. We have completed large volumes of work in several oblasts such as Sumy and Kherson. Large volumes of work are in progress in oblasts such as Zhitomir, Lviv, Ternopil and Rivne. Most of our cancellations have occurred in oblasts where support from the authorities has been weak, such as Kharkiv, Lugansk, Mikolaiv, Poltava and Zaporizzhe.

The lack of State Acts blank forms still does not allow printing and delivering more than 60,000 additional State Acts although we are informed through the new Dershkomzem management that more blank forms are now being printed and delivered to those oblasts that have run out. ULTI will continue to monitor forms supply and intervene with Dershkomzem management to secure emergency supplies in all oblasts where ULTI is working until the printing is completed.

Another 189,600 titles in 334 Work Areas have completed the survey and map preparation stage but are awaiting allocation to citizens by the authorities. The total backlog due to the authorities is now 339,000 LSC's. The overall backlog increased by 36,000 LSCs this month.

There are also 112,000 titles in 208 Work Areas that have been subcontracted and are in the process of finishing field work and mapping in keeping with ULTI deadlines set this fall based on the new project extension. Most are recent subcontracts although about 20% have remained incomplete 6 months or longer. If field work is not finished then there will not be an adequate basis nor time for local governments to take allocation decisions, print and issue titles before the scheduled end of the project. A similar review and cull of work areas will be made where local governments have not completed their allocation decisions and signing of State Acts, between

April 1, 2006 and May 31, 2006 because insufficient time will then remain to assure that SAs are approved, printed, issued and verified before the scheduled end of the project. As a result, any work areas where field work, parcel mapping, allocation decisions or printing or signing of State Acts is not finished by the time limit set for each stage of work, may be cancelled at any time.

Next month, ALT team will notify both survey firms and local government authorities of their time limits and deadline obligations to complete all work through printing of State Acts by May 31, 2006 in timely manner. Each firm and each local government will be expected to sign off on the deadline for each remaining stage of work so there is clear accountability if and when work is cancelled. This two step review and cancel process may result in cancellation of an estimated 70,000 titles, about 5% of the total subcontracted, as provided in the new ULTI project extension agreement. Cancellation funds, if any will either be used for additional land titling in southeast oblasts if time and circumstances permit, or to restore funding cuts and maintain the current level of legal aid and public education services through September 20, 2006.

Table 1. Status of ULTI State Act Issuance By Oblast  
Note: One work area is generally equivalent to one village rada.

### October 2005

October 2005

Oblast	Work Area Status	Data	Total
ВІННИЦЬКА	Completed	Count of work area code	144
		Sum of Contracted LSCs to Convert	101,111
		Sum of Actually Processed LSCs	102,240
		Sum of Actually Issued SAs	102,279
	In Progress	Count of work area code	54
		Sum of Contracted LSCs to Convert	25,798
		Sum of Actually Processed LSCs	
		Sum of Actually Issued SAs	
ВІННИЦЬКА Count of work area code			198
ВІННИЦЬКА Sum of Contracted LSCs to Convert			126,909
ВІННИЦЬКА Sum of Actually Processed LSCs			102,240
ВІННИЦЬКА Sum of Actually Issued SAs			102,279
ВОЛИНСЬКА	Completed	Count of work area code	25
		Sum of Contracted LSCs to Convert	12,876
		Sum of Actually Processed LSCs	13,122
		Sum of Actually Issued SAs	13,119
	In Progress	Count of work area code	45
		Sum of Contracted LSCs to Convert	22,594
		Sum of Actually Processed LSCs	328
		Sum of Actually Issued SAs	328
ВОЛИНСЬКА Count of work area code			70
ВОЛИНСЬКА Sum of Contracted LSCs to Convert			35,470
ВОЛИНСЬКА Sum of Actually Processed LSCs			13,450
ВОЛИНСЬКА Sum of Actually Issued SAs			13,447
ЖИТОМИРСЬКА	Completed	Count of work area code	252
		Sum of Contracted LSCs to Convert	123,120
		Sum of Actually Processed LSCs	126,949

	In Progress	Sum of Actually Issued SAs	160,988
		Count of work area code	153
		Sum of Contracted LSCs to Convert	70,266
		Sum of Actually Processed LSCs	681
		Sum of Actually Issued SAs	676
ЖИТОМИРСЬКА Count of work area code			405
ЖИТОМИРСЬКА Sum of Contracted LSCs to Convert			193,386
ЖИТОМИРСЬКА Sum of Actually Processed LSCs			127,630
ЖИТОМИРСЬКА Sum of Actually Issued SAs			161,664
ЗАКАРПАТСЬКА	In Progress	Count of work area code	3
		Sum of Contracted LSCs to Convert	12,786
		Sum of Actually Processed LSCs	
		Sum of Actually Issued SAs	
ЗАКАРПАТСЬКА Count of work area code			3
ЗАКАРПАТСЬКА Sum of Contracted LSCs to Convert			12,786
ЗАКАРПАТСЬКА Sum of Actually Processed LSCs			
ЗАКАРПАТСЬКА Sum of Actually Issued SAs			
ІВАНО-ФРАНКІВСЬКА	Completed	Count of work area code	52
		Sum of Contracted LSCs to Convert	33,000
		Sum of Actually Processed LSCs	33,462
		Sum of Actually Issued SAs	38,195
	In Progress	Count of work area code	67
		Sum of Contracted LSCs to Convert	39,480
		Sum of Actually Processed LSCs	
		Sum of Actually Issued SAs	
ІВАНО-ФРАНКІВСЬКА Count of work area code			119
ІВАНО-ФРАНКІВСЬКА Sum of Contracted LSCs to Convert			72,480
ІВАНО-ФРАНКІВСЬКА Sum of Actually Processed LSCs			33,462
ІВАНО-ФРАНКІВСЬКА Sum of Actually Issued SAs			38,195
КИЇВСЬКА	In Progress	Count of work area code	150
		Sum of Contracted LSCs to Convert	64,930
		Sum of Actually Processed LSCs	
		Sum of Actually Issued SAs	
КИЇВСЬКА Count of work area code			150
КИЇВСЬКА Sum of Contracted LSCs to Convert			64,930
КИЇВСЬКА Sum of Actually Processed LSCs			
КИЇВСЬКА Sum of Actually Issued SAs			
ЛУГАНСЬКА	Completed	Count of work area code	74
		Sum of Contracted LSCs to Convert	35,825
		Sum of Actually Processed LSCs	35,742
		Sum of Actually Issued SAs	35,742
ЛУГАНСЬКА Count of work area code			74
ЛУГАНСЬКА Sum of Contracted LSCs to Convert			35,825
ЛУГАНСЬКА Sum of Actually Processed LSCs			35,742
ЛУГАНСЬКА Sum of Actually Issued SAs			35,742
ЛЬВІВСЬКА	Completed	Count of work area code	55
		Sum of Contracted LSCs to Convert	28,957
		Sum of Actually Processed LSCs	29,548



		Sum of Actually Issued SAs	37,530
	In Progress	Count of work area code	63
		Sum of Contracted LSCs to Convert	36,053
		Sum of Actually Processed LSCs	1,743
		Sum of Actually Issued SAs	2,345
ЛЪВІВСЬКА Count of work area code			118
ЛЪВІВСЬКА Sum of Contracted LSCs to Convert			65,010
ЛЪВІВСЬКА Sum of Actually Processed LSCs			31,291
ЛЪВІВСЬКА Sum of Actually Issued SAs			39,875
ОДЕСЬКА	Completed	Count of work area code	71
		Sum of Contracted LSCs to Convert	43,529
		Sum of Actually Processed LSCs	46,926
		Sum of Actually Issued SAs	47,806
	In Progress	Count of work area code	22
		Sum of Contracted LSCs to Convert	17,535
		Sum of Actually Processed LSCs	2,004
		Sum of Actually Issued SAs	2,004
ОДЕСЬКА Count of work area code			93
ОДЕСЬКА Sum of Contracted LSCs to Convert			61,064
ОДЕСЬКА Sum of Actually Processed LSCs			48,930
ОДЕСЬКА Sum of Actually Issued SAs			49,810
ПОЛТАВСЬКА	Completed	Count of work area code	65
		Sum of Contracted LSCs to Convert	47,426
		Sum of Actually Processed LSCs	47,677
		Sum of Actually Issued SAs	50,502
	In Progress	Count of work area code	4
		Sum of Contracted LSCs to Convert	2,615
		Sum of Actually Processed LSCs	320
		Sum of Actually Issued SAs	320
ПОЛТАВСЬКА Count of work area code			69
ПОЛТАВСЬКА Sum of Contracted LSCs to Convert			50,041
ПОЛТАВСЬКА Sum of Actually Processed LSCs			47,997
ПОЛТАВСЬКА Sum of Actually Issued SAs			50,822
РІВНЕНСЬКА	Completed	Count of work area code	77
		Sum of Contracted LSCs to Convert	49,624
		Sum of Actually Processed LSCs	49,338
		Sum of Actually Issued SAs	81,899
	In Progress	Count of work area code	31
		Sum of Contracted LSCs to Convert	21,985
		Sum of Actually Processed LSCs	
		Sum of Actually Issued SAs	
РІВНЕНСЬКА Count of work area code			108
РІВНЕНСЬКА Sum of Contracted LSCs to Convert			71,609
РІВНЕНСЬКА Sum of Actually Processed LSCs			49,338
РІВНЕНСЬКА Sum of Actually Issued SAs			81,899
СУМСЬКА	Completed	Count of work area code	231
		Sum of Contracted LSCs to Convert	144,883
		Sum of Actually Processed LSCs	145,775

		Sum of Actually Issued SAs	212,594
СУМСЬКА	Count of work area code		231
СУМСЬКА	Sum of Contracted LSCs to Convert		144,883
СУМСЬКА	Sum of Actually Processed LSCs		145,775
СУМСЬКА	Sum of Actually Issued SAs		212,594
ТЕРНОПІЛЬСЬКА	Completed	Count of work area code	164
		Sum of Contracted LSCs to Convert	78,403
		Sum of Actually Processed LSCs	80,096
		Sum of Actually Issued SAs	80,964
	In Progress	Count of work area code	128
		Sum of Contracted LSCs to Convert	70,150
		Sum of Actually Processed LSCs	3,172
		Sum of Actually Issued SAs	3,172
ТЕРНОПІЛЬСЬКА	Count of work area code		292
ТЕРНОПІЛЬСЬКА	Sum of Contracted LSCs to Convert		148,553
ТЕРНОПІЛЬСЬКА	Sum of Actually Processed LSCs		83,268
ТЕРНОПІЛЬСЬКА	Sum of Actually Issued SAs		84,136
ХАРКІВСЬКА	Completed	Count of work area code	17
		Sum of Contracted LSCs to Convert	7,224
		Sum of Actually Processed LSCs	6,747
		Sum of Actually Issued SAs	6,747
ХАРКІВСЬКА	Count of work area code		17
ХАРКІВСЬКА	Sum of Contracted LSCs to Convert		7,224
ХАРКІВСЬКА	Sum of Actually Processed LSCs		6,747
ХАРКІВСЬКА	Sum of Actually Issued SAs		6,747
ХЕРСОНСЬКА	Completed	Count of work area code	128
		Sum of Contracted LSCs to Convert	70,765
		Sum of Actually Processed LSCs	66,488
		Sum of Actually Issued SAs	69,585
	In Progress	Count of work area code	5
		Sum of Contracted LSCs to Convert	2,433
		Sum of Actually Processed LSCs	597
		Sum of Actually Issued SAs	233
ХЕРСОНСЬКА	Count of work area code		133
ХЕРСОНСЬКА	Sum of Contracted LSCs to Convert		73,198
ХЕРСОНСЬКА	Sum of Actually Processed LSCs		67,085
ХЕРСОНСЬКА	Sum of Actually Issued SAs		69,818
ХМЕЛЬНИЦЬКА	Completed	Count of work area code	67
		Sum of Contracted LSCs to Convert	25,575
		Sum of Actually Processed LSCs	26,875
		Sum of Actually Issued SAs	26,875
	In Progress	Count of work area code	4
		Sum of Contracted LSCs to Convert	3,829
		Sum of Actually Processed LSCs	
		Sum of Actually Issued SAs	
ХМЕЛЬНИЦЬКА	Count of work area code		71
ХМЕЛЬНИЦЬКА	Sum of Contracted LSCs to Convert		29,404
ХМЕЛЬНИЦЬКА	Sum of Actually Processed LSCs		26,875

ХМЕЛЬНИЦЬКА Sum of Actually Issued SAs			26,875
ЧЕРКАСЬКА	Completed	Count of work area code	27
		Sum of Contracted LSCs to Convert	21,837
		Sum of Actually Processed LSCs	21,845
		Sum of Actually Issued SAs	21,845
ЧЕРКАСЬКА Count of work area code			27
ЧЕРКАСЬКА Sum of Contracted LSCs to Convert			21,837
ЧЕРКАСЬКА Sum of Actually Processed LSCs			21,845
ЧЕРКАСЬКА Sum of Actually Issued SAs			21,845
ЧЕРНІВЕЦЬКА	Completed	Count of work area code	59
		Sum of Contracted LSCs to Convert	45,891
		Sum of Actually Processed LSCs	44,611
		Sum of Actually Issued SAs	58,234
	In Progress	Count of work area code	56
		Sum of Contracted LSCs to Convert	46,664
		Sum of Actually Processed LSCs	15,463
		Sum of Actually Issued SAs	16,157
ЧЕРНІВЕЦЬКА Count of work area code			115
ЧЕРНІВЕЦЬКА Sum of Contracted LSCs to Convert			92,555
ЧЕРНІВЕЦЬКА Sum of Actually Processed LSCs			60,074
ЧЕРНІВЕЦЬКА Sum of Actually Issued SAs			74,391
ЧЕРНІГІВСЬКА	Completed	Count of work area code	131
		Sum of Contracted LSCs to Convert	77,311
		Sum of Actually Processed LSCs	80,141
		Sum of Actually Issued SAs	121,376
	In Progress	Count of work area code	35
		Sum of Contracted LSCs to Convert	19,922
		Sum of Actually Processed LSCs	
		Sum of Actually Issued SAs	
ЧЕРНІГІВСЬКА Count of work area code			166
ЧЕРНІГІВСЬКА Sum of Contracted LSCs to Convert			97,233
ЧЕРНІГІВСЬКА Sum of Actually Processed LSCs			80,141
ЧЕРНІГІВСЬКА Sum of Actually Issued SAs			121,376
Total Count of work area code			2,459
Total Sum of Contracted LSCs to Convert			1,404,397
Total Sum of Actually Processed LSCs			981,890
Total Sum of Actually Issued SAs			1,191,515

New subcontracts for more agricultural land titling proceeded ahead of schedule for more land shareholders and at lower costs than planned. To date, there are 1,404,397 land shares for which State Acts are completed or now under subcontract and in production. On average 1.25 State Acts are issued for each land share. Altogether, this is about 250,000 more land shares than have been funded by USAID to date. There are about 16,000 more land shares under consideration in ULTI's subcontracting pipeline. Signing of all land titling subcontracts is complete this month for full SA subcontracts and must be completed by December 20, 2005 for unfinished SAs started at villager expense or for pilot projects due to current ULTI time and funding limits.

This increased amount of work is a result of savings and procedural efficiencies engineered by ULTI. It is sufficient to result in issuance of up to 1,800,000 SAs and fulfillment of the ULTI project overall goal by the current end date of the project, if the remaining 16,000 land shares are subcontracted, there are no delays or obstructions by state authorities and there are no cancellations of subcontracts due to lack of approvals and issuance of state acts by authorities within the time available to complete all work.

Examples of delays or obstructions are failure of state authorities to obtain applications from citizens, make decisions excluding degraded land, give survey approvals, hold general meetings to ratify allocation decisions, supply blank forms, sign and issue SAs as well as local disputes among land share holders, lessees or local governments that are beyond ULTI or land titling subcontractor control. Other examples of official obstructions are illegal disqualification of rural land owners from low income subsidies or illegal charging and collection of taxes or fees for forms, registration and other official services. Further, in the event of delays or obstructions, issuance of some subcontracted SAs may not be possible before the current scheduled end date of the ULTI project. As a result, any incomplete land titling subcontracts may be subject to termination due to lack of time to complete preparation and issuance of SAs. Based on past experience, ULTI estimates that up to 10% of subcontracted titling work may be cancelled because of lack of timely approvals and issuance of state acts by the authorities prior to the scheduled end of the ULTI project.

Currently, SAs financed by ULTI generally proceed without further collection of registration fees by DershKomZem or its filial cadastral centers, although registration fees do continue to be collected unlawfully and routinely from citizens in village radas where ULTI does not work and is in large measure a result of lack of progress and funding in the World Bank rural land titling project which is supposed to pay for these registrations.

Registration fees in excessive amounts are also collected everywhere for land leases after State Acts have been issued which severely reduces the first year's income of the new land owner. We also recently became aware that some cadaster center employees are trying unlawfully to prepare and issue an administrative order at the departmental level prohibiting free of charge registration, allegedly to counteract impending financial collapse of cadaster centers due to lack of funding from the state. At the same time, an increasing number of oblasts and raions report shortages or total lack of supply of blank SA forms by DKZ, which if continued, significantly delays preparation and issuance of SAs. This month, however, Dershkomzem delivered small emergency supplies of blank SA forms in Kiev and Zhitomir oblasts to meet urgent needs while more new forms are being printed and next month we will address and attempt to solve the issue of registration fee order in the Dershkomzem working group meeting .

ULTI has now fully implemented, tested and proven its new, combined land titling and legal aid service methodologies but must cease offering further subcontracting for this work due to current funding limits. The new methodologies are being used in Poltava, Vinnitsa, Khemilnitski, Ternopil, Ivano Frankivsk, Transcarpathia, Kiev and Volyn. They may also be implemented in one or more small pilot programs still under negotiation in Crimea or Donetsk oblasts in response to pending local requests for ULTI support to help finish incomplete, land titling in

these oblasts. The new methodologies enable rapid completion of SA issuance at less than \$3.00 per land share for agricultural land share holders who previously began, but were unable to complete, land titling at their own expense under high cost DereshKomZem controlled contracts. To date, ULTI has subcontracted about 5% of an estimated 2,000,000 such land share holders. All these remaining land share holders remain excluded from funding for SA issuance under the WB rural land titling project terms of reference and thus stand little chance of receiving SAs, despite excessive payments and years of waiting.

ULTI continues direct delivery of public education and legal aid services to all eligible citizens throughout Ukraine in order to keep pace, coordinate and benefit from the expanded scope of ULTI agricultural land titling and pilot first registration projects. In November, ULTI plans to dedicate the Donetsk legal aid center in a public ceremony with press conference led by Governor Chuprun and Mission Director Gast.

To date, 9,782 cases have been opened and 153,790 citizens have been served by the 25 legal aid centers operated by ULTI with USAID support. Of these 8,058 cases benefitting 124,591 citizens have been resolved. This month 7,023 more persons received this free assistance. To date, LACs have also successfully recovered UAH 1,516,682 in unpaid land lease rents for villagers, helped 53,004 citizens obtain land shares for 128, 493 hectares of land and assisted 711 families with inheritance of land shares.

Almost 98% of cases are settled without court proceedings but the LACs have also produced a number of precedent setting court decisions, including the first decision in any Ukrainian court for extra payment of moral damages in cases of unpaid land lease rent.

The program has also conducted 4,521 seminars and workshops at the village level.

On the following page is a chart with more detailed results to date for each center in the legal aid program.

Clearly, the number of people requesting and receiving information and legal aid assistance continues to grow at a high rate as awareness and extension of ULTI project services grows. In close synchronization with ULTI's expansion of legal aid services in all 25 oblasts, ULTI's public information and education team also organizes and executes an expanded program of national and oblast level radio and television programs, an out reach program of direct village visits and seminars conducted by information distribution specialists and legal aid teams, regular newspaper and magazine publications and periodic press conferences and policy forums for land market officials and stakeholders. These efforts also assure access to accurate information for rural citizens and local officials to learn and to protect citizens' rights in the course of land privatization and land titling whether or not the titling work is financed and supported directly by ULTI.

ULTI continues to make every possible effort to engage and encourage local and DC based World Bank representatives who oversee the WB rural land titling project to assist the new GOU to re-structure the WB loan Terms of Reference in order to assure completion of all remaining rural land titles in Ukraine. The current Terms of Reference are four years old and have not been updated.

Legal Aid results for entire period:

Інформація про діяльність 25 ЦЮД станом на 1 листопада 2005р.

	кільк.справ	в інтересах	позит.виріш.	в інтересах	семінари	присутні	с/ради	ор.плата	письм.зв.	селян/паї	площа	спадкув.	площа	ферм.госп.	особист.госп.
Чернігівська	660	11273	633	15473	335	12897	379	161287.8	293	4	21.36	153	622.4	2	34
Херсонська	599	7811	573	4958	346	12515	284	565440	215	9	39.7	60	437.4	3	3
Тернопільська	707	7782	681	8601	214	13870	187	4280	103	8700	17500	220	440	5	760
Вінницька	758	72041	711	59241	302	14617	326	302400	158	44059	110147	162	405	15	32
Рівненська	740	5702	708	4941	289	11242	264	26327	102	9	23.93	6	16.99		
Житомирська	714	2324	649	2261	271	9320	561	31046.14	164	46	181.15	15	51.26	1	2
Чернівецька	470	2727	443	1702	207	11782	146	26025	110	5	13.47	3	4.39		
Львівська	954	2383	817	959	212	6294	361	2065	163	48	80.24	9	17.4		
Сумська	652	9248	501	6682	288	8487	294	66806.37	148	6					
Одеська	274	9678	209	8184	220	5455	231	100303.09	87	1	5.8	14	65.08		3
Харківська	905	1987	703	1339	138	4663	157	101529.6	165	64	329.7	2	8.5		
Полтавська	263	2738	181	2358	182	5075	163	26487	220	2	13.02	12	43.06		
Хмельницька	258	1479	168	1143	147	3727	125	3820	95	3	8.33	1	3.1		2
Закарпатська	201	423	46	207	149	4557	132	16333.9	36	2	4.7	3	2.19		1
Волинська	270	978	222	578	173	5343	174	778.6	43						
Миколаївська	107	396	94	166	129	2391	119	3375.49	57	6	55.58				
Луганська	82	688	69	82	112	2562	114	660	47	1	7.15	1	7.14		3
Київська	250	2137	121	1948	131	2998	73	600	147	1	2.94	2	6.22		
Черкаська	45	744	11	13	96	2316	92	1500	15			2	5.75		
Кіровоградська	142	2616	47	196	73	2429	91	750	50	14	28	26	145.6		
Запорізька	168	168	94	94	109	2153	108	3949.57	161						
Дніпропетровська	244	888	174	509	107	2378	107	53317.6	72	1	7.08	11	62.05		
Донецька	160	166	143	145	101	2918	99		40						
Івано-Франківська	47	6311	20	1801	111	2803	87	17600	25	23	23.69	5	5.15	1	
АРКрим	112	1102	40	1010	79	1350	74		38			4	17.2		
	<b>9782</b>	<b>153790</b>	<b>8058</b>	<b>124591</b>	<b>4521</b>	<b>154142</b>	<b>4748</b>	<b>1516682</b>	<b>2754</b>	<b>53004</b>	<b>128493</b>	<b>711</b>	<b>2365.9</b>	<b>27</b>	<b>840</b>

During the last four years, the situation has changed radically. The main problem is that millions of land titles were started under Dershkomzem controlled contracts at excessive cost and at villager expense but were never finished. To finish all these incomplete rural land titles, ULTI know-how, GOU leadership, USAID support and WB cadastral loan resources are all needed. In particular, the methodologies developed and implemented by ULTI need to be transferred to, and adopted by the GOU and the WB cadastral project in the framework of updated and revised terms of reference for the WB rural land titling program. WB advisors have been fully and repeatedly informed of this situation. This month, there are some indications from Dershkomzem and a WB contractor they may respond to our offer of assistance to update and

restructure the scope of work for the rural land titling project. ULTI looks forward to the opportunity to work with the newly appointed director of Dershkomzem and the new Cabinet of Ministers to help achieve these objectives, hopefully with active WB cooperation.

After 18 months, this month one rural land titling subcontractor reported receipt of an advance payment to begin work but to date SAs have been produced under the WB cadastral loan project administered by Dershkomzem. Despite many assurances of their willingness to do so, WB representatives and consultants still have not taken concrete action to work with the GOU to correct the defects and update the WB rural land titling Terms of Reference to assure 100% completion of the agricultural land reform through State Act issuance to all rural land owners.

Based on Presidential Decree #675 and new Presidential Order #1-1 / 539 of June 17, 2005 to complete all State Act issuance in the agricultural land reform by 2006, the Academy of Agrarian Sciences and the Ministry of Economy submitted a request to USAID to extend and expand ULTI rural land titling technical assistance so the GOU can carry out the presidential directive for 2 million rural households. Many of these households did not receive land shares (e.g. Crimean Tatars) or started but did not finish land titling at their own expense (SE oblasts) or received land allocations without legal documentation confirming ownership of their plots (western oblasts). While there are proven ULTI methodologies to complete all of these problematic cases, there are no state budget resources available to complete this problematic land titling work. This request for was delivered to USAID Mission and is pending. A similar request for 550,000 SAs was made by the Prime Minister of Crimea to USAID this month. For Crimea, ULTI also agreed this month to provide a land titling pilot program in two rraons for 13,000 land owners, including resolution of unsettled Tatar land claims, using the project's last remaining land titling subcontract funds.

## **PROGRESS ON OVERALL OBJECTIVES – November 2005**

This month, there have been a number of significant developments concerning major ULTI policy, land titling and legal aid initiatives.

1. Two raion level pilot land titling programs that include settlement of land claims of formerly deported Crimean Tatars began implementation under two ULTI land titling subcontracts with Nove Technology for about 12,000 land shares, house plots and garden plots with the support of the ULTI legal aid program in Crimea. This is the first USAID supported land titling in Crimea. The Crimea Prime Minister endorsed this program in a letter to USAID and requested further support for preparation and issuance of State Acts for land shares, house plots and garden plots for approximately 550,000 citizens in Crimea based on the ULTI pilot program methodology.
2. The legal aid center in Donetsk oblast was formally dedicated with the participation and support of new USAID Mission Director Earl Gast and the oblast governor Vadym Chuprun. The dedication included a televised public ceremony, a seminar for raions heads and heads of oblast and raion land resources departments, a press conference at the Oblast administration conference center and a private one hour meeting among the governor, Mission Director, USAID CTO Bohdan Chomiak and ULTI COP Allan Slipher. The focus of the meeting was the governor's request for USAID support of long term continuation of the legal aid services in Donetsk oblast.
3. Organization and conduct of a major seminar by ULTI and the Ukrainian Association of Cities (UAC) on urgent land and legal problems of Ukrainian cities and the ways to resolve them. The conference focused on introduction of the ULTI supported draft of a new delimitation law in the Verhovna Rada with the support of the UAC and Dershkomzem to end central government obstruction of local government land based economic development projects. The conference was opened by keynote remarks focusing on the need to support and enact the ULTI drafted legislation by Deputy USAID Mission Director Karen Hilliard. Attendees included over 40 local and central government administrators and legislative program advisors. Results included formal introduction of the ULTI supported draft delimitation law in the VR by Deputy L. Usachenko with public endorsement of the ULTI draft by the central administration of Dershkomzem. The ULTI version of the draft law is a work product of the legal policy team led by Pavel Kulinich and the Rural Development Institute advisors Robert Mitchell and Leonard Rolfes during the September assignment.
4. ULTI prepared the draft legal aid services NGO charter with supporting ethics, conflict of interest and client representation policies and distributed to USAID, Chemonics, ULTI managers, Ministry of Justice and ULTI legal aid coordinators for comments and buy in. The draft charter and its ethics policies were the work product of the legal policy team led by Pavel Kulinich and the Rural Development Institute short term advisors Robert Mitchell and Leonard Rolfes during their October and November assignments. Next month, the NGO charter is expected to be finalized and the NGO founders meeting organized to adopt the charter and submit to the MoJ for registration of the NGO.
5. ULTI prepared the draft legal aid services contract between the project and the proposed NGO and distributed to Chemonics, ULTI managers and RDI advisors for comments. The draft



subcontract has been prepared by the ULTI COP, management and legal teams with support of Chemonics Home Office. The final version of the contract is expected to be completed and submitted to USAID CTO and CO for approval next month.

6. ULTI managers organized and led the first working group meeting with Dershkomzem department heads on restructuring of the WB cadastral project loan, increased supply of blank State Act forms, elimination of registration fees for State Acts and joint legislative efforts on the preparing the draft delimitation law and the necessary amendments to the registration law based on the recommendations from ULTI's July policy conference on urgent measures needed to complete Ukraine's land reform and develop a land market. ULTI recommendations were presented in the August and September reports. While the delimitation law has now been drafted and introduced into the VR with Dershkomzem cooperation, and the supply of blank State Act forms has partially resumed, Dershkomzem has not fulfilled its obligations and commitments to eliminate registration fees for State Acts. This issue will be addressed through further meetings with Dershkomzem central management and increased public information campaigns exposing how charging such fees is a violation of law that obstructs completion of the land reform in keeping with objectives set by President Yushchenko in his June 17, 2005 Decree 1-1/539.

7. After 19 months, the WB rural land titling project has finally commenced land survey work in a few villages preparatory to issuing land titles in one of five oblasts (Vinnitsa) under its existing two subcontracts with Blom and Marmelot. The other four oblasts, Odessa, Chenigi, Kiev and Cherkasy still have no land survey or land titling work started to date.

A summary of the the steps in the proposed NGO formation set forth in ULTI's extension agreement was submitted to USAID in mid November after ULTI completed its initial analysis and first draft of a charter to form an NGO for future operation and finance of the legal aid program. Next month, the final charter documents will be completed and the draft subcontract between ULTI and the proposed NGO will be prepared and submitted to USAID for approval.

The objective of forming an NGO for legal aid services is to facilitate longer term continuation of the legal aid and public education programs for rural landowners beyond the currently scheduled end of the ULTI project while creating conditions that permit the NGO to seek and secure additional sources of funding besides ULTI and USAID. ULTI's analysis and preparation of the charter and the system of NGO governance is based on an approach that enables the NGO to seek and receive funding from multiple donor sources (both government and private foundation). The charter also structures the NGO to continue to provide free of charge legal services on land issues to rural citizens on a nationwide scale as its primary objective while enabling the NGO to develop and test offering of some new services for affordable fees that do not conflict with the free of charge services but that do support development of the land market in rural areas after lifting of the Moratorium on land sales. To facilitate its own fund raising efforts, the NGO is organized and structured so that its foundation documents also include high international standards of practice in professional ethics with bylaws that prohibit conflicts of interest with respect to clients and its own financial transactions, to the extent that is possible under existing Ukrainian law.

ULTI also submitted an initial outlook on NGO sustainability this month based on actual NGO expenses and available funding so USAID may plan how to support the survival of the NGO and

the provision of free of charge legal services after lifting of the Moratorium on land sales in 2007 in keeping with GOU requests for support. The initial funding of the NGO for continuing provision of free of charge legal services to rural citizens can be provided by ULTI with reasonable certainty through June 2006. Depending on the rate of completion and cancellation of ULTI land titling contracts, additional funding may also become available to support the NGO for a portion of July, August and September 2006 but the availability and amount of this additional funding will not be ascertainable until May-June 2006. The NGO's ability to raise donations or obtain other sources of grant or subcontract funding will be a step by step development process with over time. With good outside fundraising results, outside NGO funding may reach up to 30% of the NGO's overall funding need by the end of 2007. The NGO thus is expected to continue to need USAID finance for most of its current, nationwide legal aid service levels at least until 2007 in order to satisfy GOU requests for USAID support of free of charge legal aid services until after the lifting of the Moratorium on land sales.

Following President Yushchenko's August appointment of Mikola Sidorenko as the new director of Dershkomzem by Presidential Order 1161/2005, ULTI managers scheduled and held an introductory meeting with Mr. Sirdorenko. The new director of Dershkomzem then stated his personal commitment to fulfill President Yushchenko's instructions to put a modern, unified land and building registration system into operation, emphasizing the need to provide public education and legal aid in every village in every oblast so all citizens understand and can protect their land ownership rights. Unfortunately, Mr. Syrdorenko has still made no moves to introduce new department heads in Dershkomzem and this month reportedly began ordering cadaster centers to re-start the collection of registration fees for State Act issuance. Other Dershkomzem officials have gone farther also requested that the ULTI project directly fund Dershkomzem registration of State Acts. As in the past, ULTI considers these fees illegal. ULTI cannot and will not pay illegal state registration costs nor should citizens entitles to free fo charge land privatization. ULTI has referred DKZ to the WB cadaster project loan as a readily available source of state funds to finance State Act registration for all free of charge land privatization at no cost to citizens. In the meantime, reports are spreading that the national and regional Dershkomzem cadaster centers that collect these illegal registration fees are subject to bankruptcy proceedings. This month, the GOU anti-monopoly committee also published findings that Dershkomzem's commercially structured cadaster centers are a violation of Ukraine's anti-monopoly laws. In sum, Dershkomzem and its cadaster centers are increasingly troubled organizations that are feeding off the already over burdened rural population.

In these circumstances, we expect that the registration fee issue is once again rising to the level of a significant state obstruction that blocks completion of the land reform. This month, ULTI has launched a public information campaign calling attention to illegal State Act registration fees. Since registration fees block completion of the land reform, they may become politicized with unforeseeable consequences in the upcoming Parliamentary elections. Accordingly, in the event that the Dershkomzem registration fee obstruction continues through January, ULTI will ask for USAID intervention with the GOU to end this obstruction at a higher level than Dershkomzem, as previously was done in May 2004.

Despite the registration fee obstruction and to help resolve it, ULTI renewed its offer to the new

director of Dershkomzem to provide a comprehensive technical assistance program within ULTI's current task order to assist Dershkomzem to restructure the WB cadastral project. ULTI offers Dershkomzem comprehensive management, legal and technical advisory assistance from ULTI experts in order to reform registration procedures and fees, reduce costs and improve performance in State Act issuance by the Project Implementation Unit (PIU) responsible to implement the World Bank cadastral loan rural land titling program. So far, after 19 months, the \$195 Million WB cadastral loan (including the \$85 million rural land titling component) has failed to complete any production of any rural land titles. There is no response to this offer to date. Only a four years old request from Dershkomzem department heads that ULTI cut financial support for State Act issuance and, instead, use ULTI funds to pay Dershkomzem's registration fees.

The GOU badly needs new reforms and improved implementation programs to complete the agricultural land reform and to build unified land, building and mortgage markets. This is a complex and vital undertaking affecting 50%, or more, of Ukraine's potential GDP. Further, at best, ULTI believes only about half of the initial 7 million agricultural land titles are issued and less of the estimated 10 million rural house and garden plot land titles are done. While the funds in the WB rural land titling program are sufficient to complete most of this land titling, the scope of work of the WB project has not yet been updated and improved to include all the land titling that can and should be done with these funds. These reforms and programs must be properly prepared as well as timely implemented by competent and committed personnel in order fully to implement the rural land reform and realize the expected economic benefits.

A VR deputy, L. Usachenko, who is actively coordinating this effort with the Our Ukraine leadership in the VR and the Cabinet of Ministers, recently met Mr. Sydorenko at DKZ to encourage this WB loan restructuring in cooperation with ULTI. At the same time this deputy also requested a policy recommendation letter from ULTI for hand delivery to the Prime Minister so that the CoM may also take up this issue with the World Bank. ULTI provided this policy recommendation letter to this deputy this month at the same time as the latest meeting with the Dershkomzem working group. The letter is a summary of the policy recommendations made at ULTI's land registration conference in JULY and reported in full in September. We remain hopeful, despite the Dershkomzem backsliding, that this approach may help lead to higher level agreement with the GOU to restructure the WB rural land titling project to include all rural titles and to eliminate village payment of registration fees for all free of charge land privatization.

## LAND TITLING

ULTI continued to refine new methodologies in regional pilot projects to solve Ukraine's increasingly complex array of incomplete rural land titling problems. This work is essential for improving the WB rural land titling project and to ensure it completes all agricultural land titling work and begins land titling of house and garden plots. In Ivano Frankivsk, Zhitomir, Transcarpathia and now Crimea, ULTI's mass production and performance based payment methods already reduced costs of preparation and issuance of SAs for house and garden plots from 150 UAH or more to 35UAH or less. If applied nationwide through the WB rural land

titling program for an estimated 10 million eligible rural citizens, ULTI methods would save the GOU and rural citizens another US \$250 million while rapidly accelerating mass scale development of Ukraine's rural land and mortgage markets. In Poltava, Vinnitsa, Volyn, Ternopil, and Khemilnitski oblasts, new land titling methods also employ legal aid centers to close out old, unfinished and high cost subcontracts while finishing SA issuance under reduced cost ULTI subcontracts at 15 UAH or less per land share for about 100,000 villagers. Results are completion of State Act issuance in as little as 3 months. If applied for all 2 million incomplete cases through the WB rural land titling program, this methodology would save villagers and the GOU another \$15 million while much more rapidly completing the agricultural land reform.

This month, a new ULTI pilot project began work to finish incomplete agriculture land titling work, to prepare and issue State Acts for village house plots and garden plots and to solve the deadlocked land disputes among ethnic groups in Crimea. Two new land titling subcontracts for these problematic cases include over 11,000 people and parcels in two raions in Crimea. In the case of Crimea, allocation and titling of house and garden plots together with land shares is a workable and promising methodology to settle claims of landless villagers and Tatars without causing social conflict with other villagers by forced reduction in the size of their existing land shares / parcels. This method and this pilot project were both endorsed by a confirming letter of request for this assistance issued by the PM of the autonomous republic of Crimea sent to USAID Mission Director Earl Gast. The PM's letter further asked for USAID support for preparation and issuance of 500,000 more State Acts in Crimea using this methodology complete the land reform and settle the outstanding claims of the Tatars while doing so. USAID response is pending.

Oblast governors in Odessa and Cherkasy oblasts previously requested that ULTI conduct pilot first registration projects to resolve land market obstructions blocking SA issuance (such as conflicting claims over improvements like irrigation systems, buildings or other improvements to land whose ownership is linked to agricultural property shares instead of agricultural land shares). However, there was insufficient progress this month on the part of either oblast to define a scope of work in compliance with ULTI conditions and there is now no more preparation time to do so and still complete work by the scheduled end of the ULTI project so both proposals are cancelled.

As of this month, ULTI has issued a total of 1,215,000 State Acts for agricultural land in 1660 Work Areas. A work area is usually one village rada. ULTI staff verified that these State Acts have actually been issued. This month 23,700 titles were issued. Additionally, 69,000 more in 132 Work Areas are in the hands of the authorities waiting to be issued to citizens. The issuance backlog decreased by about 1,000 this month compared to last month. Altogether, State Acts have now been issued or prepared and delivered for issuance for 1,071,884 citizens to date.

ULTI has 108 land titling contracts still in progress. These contracts have 765 Work Areas in progress, covering 433,000 Land Share Certificates, including the 69,000 already in the hands of the authorities waiting to be issued to citizens.

Fig. 1 shows planned vs. actual progress to date for agricultural land titling. Over time, USAID

has adjusted our goals from 970,000 land shares contracted/1.8 million SAs issued to 1,420,000 land shares contracted/1.8 million SAs issued. This substantial increase in the number of people who receive State Acts reflects two USAID extensions increasing the amount of the ALT and pilot first registration project contracting budget, the reduction in the number of State Acts issued per land share as a result of state policies and shortages of State Act forms, the significant savings achieved by project engineered methodologies and the lower prices for ULTI land titling contracts as a result of competitive tendering.

Fig. 2 shows land titling by work areas (village radas) and by oblast in Ukraine.

Our contracting policy is to sign contracts on the basis of Land Share Certificates (LSC's), not State Acts. One LSC was issued per person. Some LSC's are converted into multiple State Acts: On average across all of our completed Work Areas, 1.25 SAs are issued for each LSC contracted. Our contracts thus yield a larger number of State Acts than the basic number of LSC's contracted.

We estimate that on average, each LSC is converted into approximately 2.75 land parcels. We therefore estimate that we have issued titles to about 3,000,000 parcels. However, due to DKZ procedures and recurring shortages of state act blank forms, these multiple parcels are now usually entered into one single SA for printing and issuance.

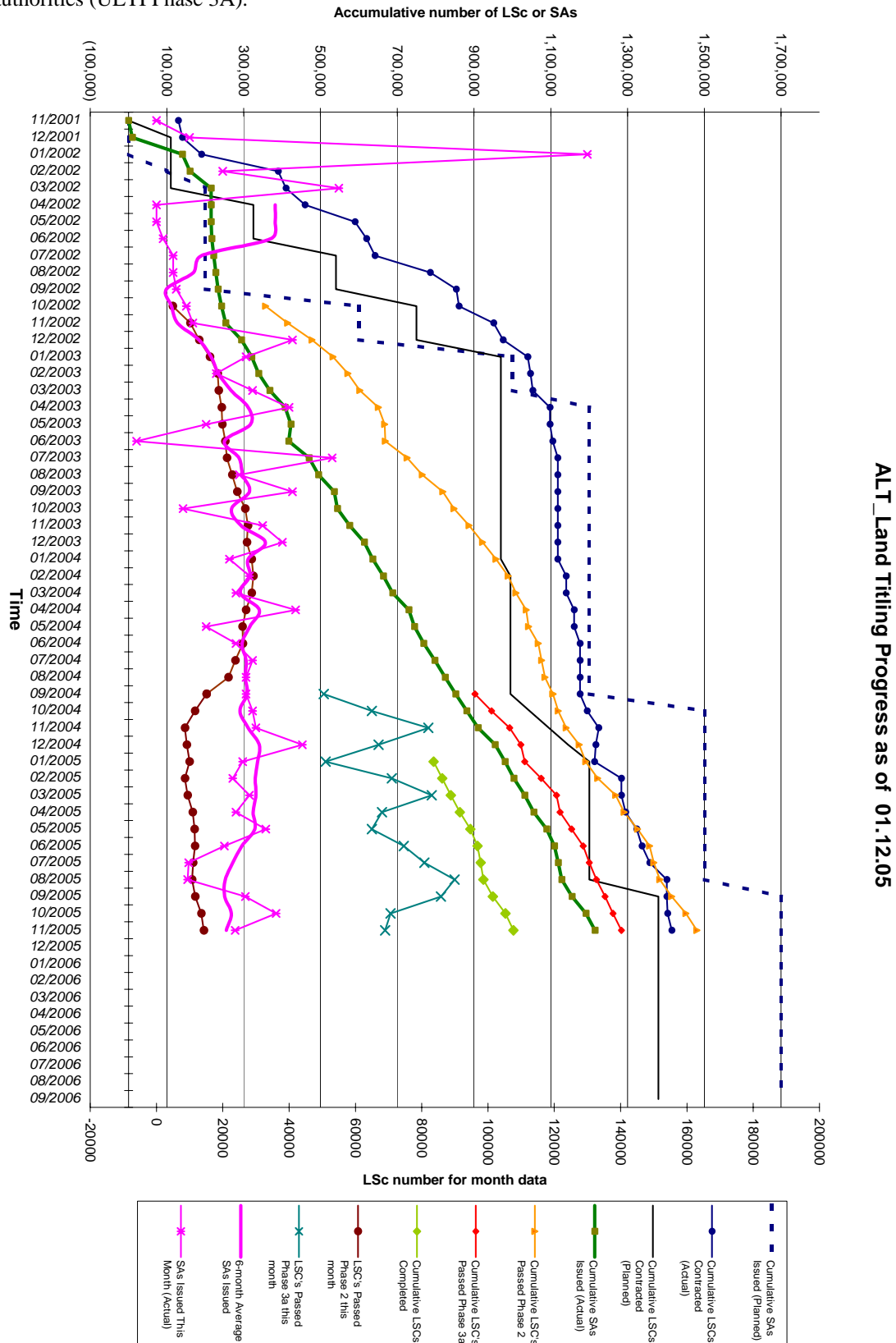
As part of this work, 98,000 of Derzhkomzem's unfinished surveys and land titles have also been re-contracted through ULTI; 60,000 from that amount have now been completed and State Acts issued. For this work, the ULTI legal aid centers also confirm that the prior survey contract has been cancelled and the ULTI field inspection team verifies that no payments have been made by villagers to complete the unfinished work after ULTI took over management and support of the title preparation process.

The lack of State Acts blank forms still does not allow printing and delivering more than 15,000 additional State Acts although we note that the new Derzhkomzem management has partly fulfilled its promise that more blank forms are being printed and delivered to oblasts that have run out. ULTI will continue to monitor forms supply and intervene with Derzhkomzem management to secure emergency supplies in all oblasts where ULTI is working until the printing is completed.

Another 196,000 titles in 339 Work Areas have completed the survey and map preparation stage but are awaiting allocation to citizens by the authorities. The total backlog due to the authorities is now 280,000 LSC's. The overall backlog decreased by 59,000 LSCs this month.

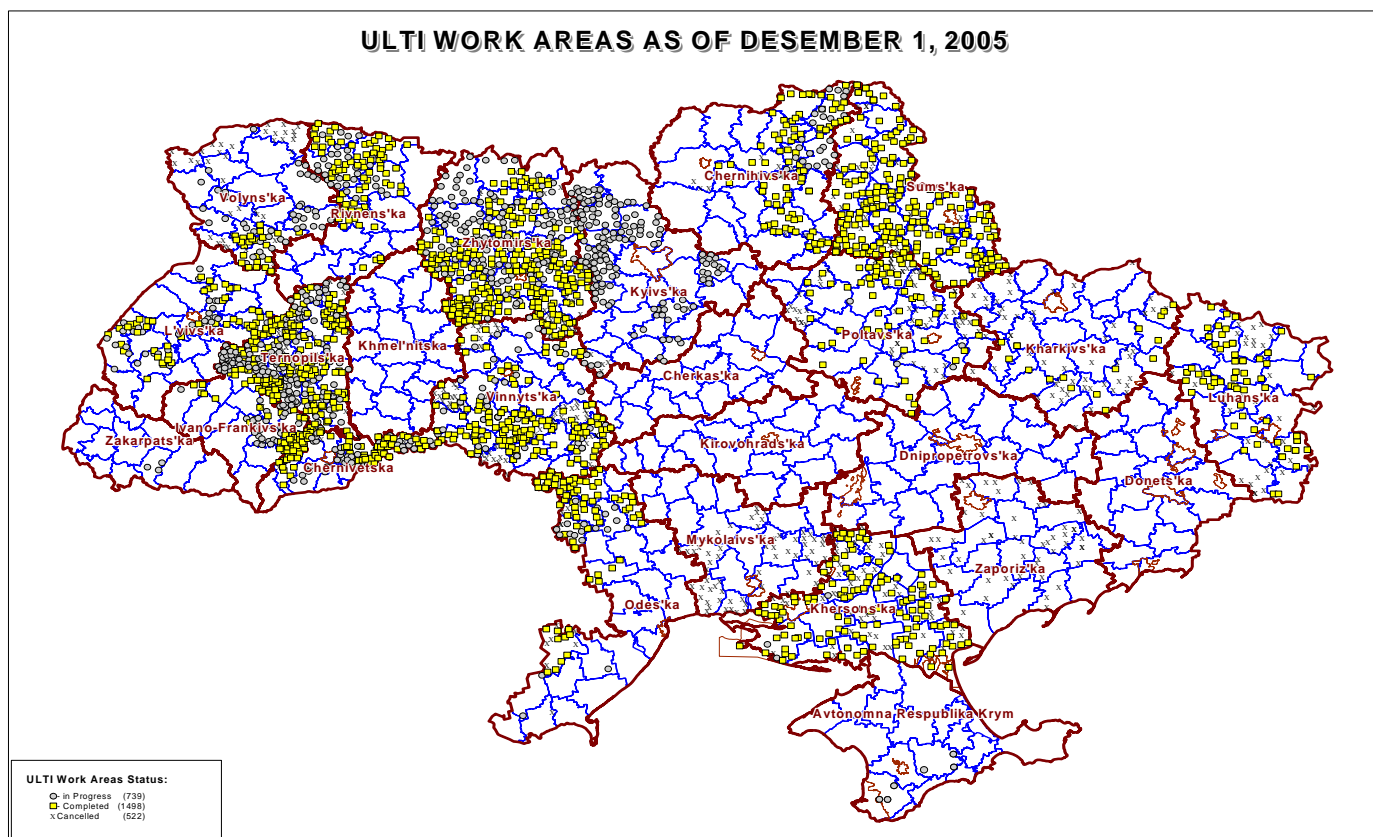
### Progress Chart

Fig. 1. ALT progress in issuing State Acts for agricultural land as of this month. Large volumes of Land Share Certificates are awaiting assignment to citizens by the authorities (ULTI Phase 2 complete), or issuance to citizens by the authorities (ULTI Phase 3A).



## Map

Fig. 2. ALT overview map as of December 1, 2004. The map shows Local Radas in which ULTI is supporting land titling.



There are also 91,000 land shares in 198 Work Areas that have been subcontracted and are in the process of finishing field\_work and mapping in keeping with ULTI deadlines based on the latest ULTI project extension. Most are recent subcontracts although about 20% have remained incomplete 6 months or longer. If this field-work is not finished in keeping with the ULTI deadlines, then there will not be an adequate legal basis nor time for the authorities to take allocation decisions, print and issue titles before the scheduled end of the project. A similar review and cull of work areas will be made where the authorities have not completed their allocation decisions and signing of State Acts, between April 1, 2006 and May 31, 2006 because insufficient time will then remain to assure that SAs are approved, printed, issued and verified before the scheduled end of the project. As a result, any work areas where field work, parcel mapping, allocation decisions or printing or signing of State Acts is not finished by the authorities before the time limit set for each stage of work, may be cancelled at any time.

This month, ALT team continued to notify both survey firms and regional government authorities of their time limits and deadline obligations to complete all work through printing of State Acts by May 31, 2006 in timely manner. Each firm and each local government will be

expected to sign off on the deadline for each remaining stage of work so there is clear accountability if and when work is cancelled. This two step review and cancel process may result in cancellation of an estimated 70,000 titles, about 5% of the total subcontracted, as provided in the new ULTI project extension agreement. Cancellation funds, if any will either be used for additional land titling in southeast oblasts if time and circumstances permit, or to maintain the current level of legal aid and public education services, to the greatest extent possible, in July, August and September 2006.

**Table 1. Status of ULTI State Act Issuance By Oblast for November 2005**

Note: One work area is generally equivalent to one village rada.

Oblast	Work Area Status	Data	Total
АВТОНОМНА РЕСПУБЛІКА КРИМ	In Progress	Count of work area code	6
		Sum of Contracted LSCs to Convert	11327
		Sum of Actually Processed LSCs	
		Sum of Actually Issued SAs	
АВТОНОМНА РЕСПУБЛІКА КРИМ Count of work area code			6
АВТОНОМНА РЕСПУБЛІКА КРИМ Sum of Contracted LSCs to Convert			11327
АВТОНОМНА РЕСПУБЛІКА КРИМ Sum of Actually Processed LSCs			
АВТОНОМНА РЕСПУБЛІКА КРИМ Sum of Actually Issued SAs			
ВІННИЦЬКА	Completed	Count of work area code	151
		Sum of Contracted LSCs to Convert	103599
		Sum of Actually Processed LSCs	104864
		Sum of Actually Issued SAs	104903
	In Progress	Count of work area code	46
		Sum of Contracted LSCs to Convert	23021
		Sum of Actually Processed LSCs	
		Sum of Actually Issued SAs	
ВІННИЦЬКА Count of work area code			197
ВІННИЦЬКА Sum of Contracted LSCs to Convert			126620
ВІННИЦЬКА Sum of Actually Processed LSCs			104864
ВІННИЦЬКА Sum of Actually Issued SAs			104903
ВОЛИНСЬКА	Completed	Count of work area code	26
		Sum of Contracted LSCs to Convert	13258
		Sum of Actually Processed LSCs	13504
		Sum of Actually Issued SAs	13501
	In Progress	Count of work area code	44
		Sum of Contracted LSCs to Convert	22212
		Sum of Actually Processed LSCs	328
		Sum of Actually Issued SAs	328
ВОЛИНСЬКА Count of work area code			70
ВОЛИНСЬКА Sum of Contracted LSCs to Convert			35470
ВОЛИНСЬКА Sum of Actually Processed LSCs			13832
ВОЛИНСЬКА Sum of Actually Issued SAs			13829
ЖИТОМИРСЬКА	Completed	Count of work area code	253
		Sum of Contracted LSCs to Convert	123463



		Sum of Actually Processed LSCs	127333
		Sum of Actually Issued SAs	161367
	In Progress	Count of work area code	152
		Sum of Contracted LSCs to Convert	69923
		Sum of Actually Processed LSCs	3428
Sum of Actually Issued SAs		4055	
ЖИТОМИРСЬКА Count of work area code			405
ЖИТОМИРСЬКА Sum of Contracted LSCs to Convert			193386
ЖИТОМИРСЬКА Sum of Actually Processed LSCs			130761
ЖИТОМИРСЬКА Sum of Actually Issued SAs			165422
ЗАКАРПАТСЬКА	In Progress	Count of work area code	3
		Sum of Contracted LSCs to Convert	12786
		Sum of Actually Processed LSCs	
		Sum of Actually Issued SAs	
ЗАКАРПАТСЬКА Count of work area code			3
ЗАКАРПАТСЬКА Sum of Contracted LSCs to Convert			12786
ЗАКАРПАТСЬКА Sum of Actually Processed LSCs			
ЗАКАРПАТСЬКА Sum of Actually Issued SAs			
ІВАНО-ФРАНКІВСЬКА	Completed	Count of work area code	52
		Sum of Contracted LSCs to Convert	33000
		Sum of Actually Processed LSCs	33462
		Sum of Actually Issued SAs	38195
	In Progress	Count of work area code	67
		Sum of Contracted LSCs to Convert	39480
		Sum of Actually Processed LSCs	
		Sum of Actually Issued SAs	
ІВАНО-ФРАНКІВСЬКА Count of work area code			119
ІВАНО-ФРАНКІВСЬКА Sum of Contracted LSCs to Convert			72480
ІВАНО-ФРАНКІВСЬКА Sum of Actually Processed LSCs			33462
ІВАНО-ФРАНКІВСЬКА Sum of Actually Issued SAs			38195
КИЇВСЬКА	In Progress	Count of work area code	150
		Sum of Contracted LSCs to Convert	64930
		Sum of Actually Processed LSCs	
		Sum of Actually Issued SAs	
КИЇВСЬКА Count of work area code			150
КИЇВСЬКА Sum of Contracted LSCs to Convert			64930
КИЇВСЬКА Sum of Actually Processed LSCs			
КИЇВСЬКА Sum of Actually Issued SAs			
ЛУГАНСЬКА	Completed	Count of work area code	74
		Sum of Contracted LSCs to Convert	35825
		Sum of Actually Processed LSCs	35742
		Sum of Actually Issued SAs	35742
ЛУГАНСЬКА Count of work area code			74
ЛУГАНСЬКА Sum of Contracted LSCs to Convert			35825
ЛУГАНСЬКА Sum of Actually Processed LSCs			35742
ЛУГАНСЬКА Sum of Actually Issued SAs			35742
ЛЬВІВСЬКА	Completed	Count of work area code	55
		Sum of Contracted LSCs to Convert	28957

		Sum of Actually Processed LSCs	29548
		Sum of Actually Issued SAs	37530
	In Progress	Count of work area code	63
		Sum of Contracted LSCs to Convert	36053
		Sum of Actually Processed LSCs	7208
Sum of Actually Issued SAs		9446	
ЛЪВІВСЬКА Count of work area code			118
ЛЪВІВСЬКА Sum of Contracted LSCs to Convert			65010
ЛЪВІВСЬКА Sum of Actually Processed LSCs			36756
ЛЪВІВСЬКА Sum of Actually Issued SAs			46976
ОДЕСЬКА	Completed	Count of work area code	73
		Sum of Contracted LSCs to Convert	44495
		Sum of Actually Processed LSCs	47912
		Sum of Actually Issued SAs	48792
	In Progress	Count of work area code	20
		Sum of Contracted LSCs to Convert	16569
		Sum of Actually Processed LSCs	2004
		Sum of Actually Issued SAs	2004
ОДЕСЬКА Count of work area code			93
ОДЕСЬКА Sum of Contracted LSCs to Convert			61064
ОДЕСЬКА Sum of Actually Processed LSCs			49916
ОДЕСЬКА Sum of Actually Issued SAs			50796
ПОЛТАВСЬКА	Completed	Count of work area code	65
		Sum of Contracted LSCs to Convert	47426
		Sum of Actually Processed LSCs	47677
		Sum of Actually Issued SAs	50502
	In Progress	Count of work area code	4
		Sum of Contracted LSCs to Convert	2615
		Sum of Actually Processed LSCs	320
		Sum of Actually Issued SAs	320
ПОЛТАВСЬКА Count of work area code			69
ПОЛТАВСЬКА Sum of Contracted LSCs to Convert			50041
ПОЛТАВСЬКА Sum of Actually Processed LSCs			47997
ПОЛТАВСЬКА Sum of Actually Issued SAs			50822
РІВНЕНСЬКА	Completed	Count of work area code	77
		Sum of Contracted LSCs to Convert	49624
		Sum of Actually Processed LSCs	49338
		Sum of Actually Issued SAs	81899
	In Progress	Count of work area code	31
		Sum of Contracted LSCs to Convert	21985
		Sum of Actually Processed LSCs	580
		Sum of Actually Issued SAs	580
РІВНЕНСЬКА Count of work area code			108
РІВНЕНСЬКА Sum of Contracted LSCs to Convert			71609
РІВНЕНСЬКА Sum of Actually Processed LSCs			49918
РІВНЕНСЬКА Sum of Actually Issued SAs			82479
СУМСЬКА	Completed	Count of work area code	231
		Sum of Contracted LSCs to Convert	144883

		Sum of Actually Processed LSCs	145775
		Sum of Actually Issued SAs	212594
СУМСЬКА Count of work area code			231
СУМСЬКА Sum of Contracted LSCs to Convert			144883
СУМСЬКА Sum of Actually Processed LSCs			145775
СУМСЬКА Sum of Actually Issued SAs			212594
ТЕРНОПІЛЬСЬКА	Completed	Count of work area code	173
		Sum of Contracted LSCs to Convert	83562
		Sum of Actually Processed LSCs	85259
		Sum of Actually Issued SAs	86606
	In Progress	Count of work area code	119
		Sum of Contracted LSCs to Convert	64991
		Sum of Actually Processed LSCs	4990
		Sum of Actually Issued SAs	4990
ТЕРНОПІЛЬСЬКА Count of work area code			292
ТЕРНОПІЛЬСЬКА Sum of Contracted LSCs to Convert			148553
ТЕРНОПІЛЬСЬКА Sum of Actually Processed LSCs			90249
ТЕРНОПІЛЬСЬКА Sum of Actually Issued SAs			91596
ХАРКІВСЬКА	Completed	Count of work area code	17
		Sum of Contracted LSCs to Convert	7224
		Sum of Actually Processed LSCs	6747
		Sum of Actually Issued SAs	6747
ХАРКІВСЬКА Count of work area code			17
ХАРКІВСЬКА Sum of Contracted LSCs to Convert			7224
ХАРКІВСЬКА Sum of Actually Processed LSCs			6747
ХАРКІВСЬКА Sum of Actually Issued SAs			6747
ХЕРСОНСЬКА	Completed	Count of work area code	128
		Sum of Contracted LSCs to Convert	70765
		Sum of Actually Processed LSCs	66488
		Sum of Actually Issued SAs	69585
	In Progress	Count of work area code	5
		Sum of Contracted LSCs to Convert	2433
		Sum of Actually Processed LSCs	597
		Sum of Actually Issued SAs	233
ХЕРСОНСЬКА Count of work area code			133
ХЕРСОНСЬКА Sum of Contracted LSCs to Convert			73198
ХЕРСОНСЬКА Sum of Actually Processed LSCs			67085
ХЕРСОНСЬКА Sum of Actually Issued SAs			69818
ХМЕЛЬНИЦЬКА	Completed	Count of work area code	67
		Sum of Contracted LSCs to Convert	25575
		Sum of Actually Processed LSCs	26875
		Sum of Actually Issued SAs	26875
	In Progress	Count of work area code	4
		Sum of Contracted LSCs to Convert	3829
		Sum of Actually Processed LSCs	
		Sum of Actually Issued SAs	
ХМЕЛЬНИЦЬКА Count of work area code			71
ХМЕЛЬНИЦЬКА Sum of Contracted LSCs to Convert			29404

ХМЕЛЬНИЦЬКА Sum of Actually Processed LSCs			26875
ХМЕЛЬНИЦЬКА Sum of Actually Issued SAs			26875
ЧЕРКАСЬКА	Completed	Count of work area code	27
		Sum of Contracted LSCs to Convert	21837
		Sum of Actually Processed LSCs	21845
		Sum of Actually Issued SAs	21845
ЧЕРКАСЬКА Count of work area code			27
ЧЕРКАСЬКА Sum of Contracted LSCs to Convert			21837
ЧЕРКАСЬКА Sum of Actually Processed LSCs			21845
ЧЕРКАСЬКА Sum of Actually Issued SAs			21845
ЧЕРНІВЕЦЬКА	Completed	Count of work area code	59
		Sum of Contracted LSCs to Convert	45891
		Sum of Actually Processed LSCs	44611
		Sum of Actually Issued SAs	58234
	In Progress	Count of work area code	56
		Sum of Contracted LSCs to Convert	46664
		Sum of Actually Processed LSCs	15463
		Sum of Actually Issued SAs	16157
ЧЕРНІВЕЦЬКА Count of work area code			115
ЧЕРНІВЕЦЬКА Sum of Contracted LSCs to Convert			92555
ЧЕРНІВЕЦЬКА Sum of Actually Processed LSCs			60074
ЧЕРНІВЕЦЬКА Sum of Actually Issued SAs			74391
ЧЕРНІГІВСЬКА	Completed	Count of work area code	132
		Sum of Contracted LSCs to Convert	77551
		Sum of Actually Processed LSCs	80574
		Sum of Actually Issued SAs	121809
	In Progress	Count of work area code	34
		Sum of Contracted LSCs to Convert	19682
		Sum of Actually Processed LSCs	412
		Sum of Actually Issued SAs	412
ЧЕРНІГІВСЬКА Count of work area code			166
ЧЕРНІГІВСЬКА Sum of Contracted LSCs to Convert			97233
ЧЕРНІГІВСЬКА Sum of Actually Processed LSCs			80986
ЧЕРНІГІВСЬКА Sum of Actually Issued SAs			122221
Total Count of work area code			2464
Total Sum of Contracted LSCs to Convert			1415435
Total Sum of Actually Processed LSCs			1002884
Total Sum of Actually Issued SAs			1215251

New subcontracts for more agricultural land titling have been completed or are in process for more land shareholders and at lower costs than planned. To date, there are 1,415,435 land shares for which State Acts are completed or now under subcontract and in production. Altogether, this is about 250,000 more land shares than was funded by USAID to date. There are about 3,500 more land shares under consideration in ULTI's subcontracting pipeline. Signing of all land titling subcontracts is complete this month for full SA subcontracts and must be completed by December 20, 2005 for full, land titling subcontracts or for pilot first registration projects due to current ULTI time and funding limits.

This increased amount of work is a result of savings and procedural efficiencies engineered by ULTI. It is sufficient to result in issuance of up to 1,800,000 SAs and fulfillment of the ULTI project overall goal by the current end date of the project if the remaining 3,500 land shares are subcontracted, there are no delays or obstructions by state authorities and there are no cancellations of subcontracts due to lack of approvals and issuance of state acts by authorities within the time available to complete all work.

Examples of delays or obstructions are failure of state authorities to obtain applications from citizens, make decisions excluding degraded land, give survey approvals, hold general meetings to ratify allocation decisions, supply blank forms, sign and issue SAs as well as local disputes among land share holders, lessees or local governments that are beyond ULTI or land titling subcontractor control. Other examples of official obstructions are illegal disqualification of rural land owners from low income subsidies or illegal charging and collection of taxes or fees for forms, registration and other official services. Further, in the event of delays or obstructions, issuance of some subcontracted SAs may not be possible before the current scheduled end date of the ULTI project. As a result, any incomplete land titling subcontracts may be subject to termination due to lack of time to complete preparation and issuance of SAs. Based on past experience, ULTI estimates that up to 10% of subcontracted titling work may be cancelled because of obstructions by the authorities prior to the scheduled end of the ULTI project.

This month, SA issuance financed by ULTI again faces large scale obstruction because of renewed registration fee collections by the DershKomZem cadastral centers set up under the WB cadaster project. Registration fees also continue to be collected unlawfully and routinely from citizens in all village radas where ULTI does not work. This obstruction is directly attributable to lack of progress and funding from the World Bank rural land titling project to pay all registration related costs for all State Acts in cases of free of charge privatization of land as required by law. Next month, ULTI will again attempt to solve the issue of registration fees in Dershkomzem working group meetings and through public information campaigns. But because of longstanding and entrenched opposition to free of charge registration by many central office Dershkomzem officials, ULTI again may need to request USAID intervention with the GOU at higher level to stop this obstruction as previously occurred in May 2004 .

Registration fees in excessive amounts are also collected everywhere for land leases after State Acts have been issued which severely reduces the first year's income of the new land owner. We also recently became aware that some cadaster center employees are trying unlawfully to prepare and issue an administrative order at the departmental level prohibiting free of charge registration, allegedly to counteract impending financial collapse and bankruptcy of cadaster centers due to lack of funding from the state. In a more hopeful development, fewer oblasts and raions now report shortages or total lack of supply of blank SA forms by DKZ, which also delays preparation and issuance of SAs. This month, Dershkomzem delivered enough emergency supplies of blank SA forms in Kiev, Zhitomir and other high production oblasts to reduce the backlog waiting for forms.

## LEGAL AID and PUBLIC EDUCATION

ULTI continues direct delivery of public education and legal aid services to all eligible citizens throughout Ukraine in order to keep pace, coordinate and benefit from the expanded scope of ULTI agricultural land titling and pilot first registration projects. In November, ULTI dedicated the Donetsk legal aid center in a public ceremony with press conference led by Governor Chuprun and Mission Director Gast.

To date, 10,598 cases have been opened and 161,716 citizens have been served by the 25 legal aid centers operated by ULTI with USAID support. Of these 8,572 cases benefitting 133,131 citizens have been resolved by negotiation before going to court. This month 9,219 more persons received this free assistance. To date, LACs have also conducted 4,935 seminars for 164,222 rural citizens on land ownership and lease rights. LAC's have also successfully recovered UAH 1,570,104 in unpaid land lease rents for villagers, helped 58,321 citizens obtain land shares for 139,544 hectares of land and assisted 747 families with inheritance of land shares.

Almost 98% of cases are settled without court proceedings but the LACs have also produced a number of precedent setting court decisions, including the first decision in any Ukrainian court for extra payment of moral damages in cases of unpaid land lease rent.

Following are charts with detailed results for November and for the entire project to date for each center in the legal aid program, including ethnic data for the Crimea LAC.

### November 2005

oblast	Number of cases									Removed from record
	Total number of applications	Number of persons affected by problems	In process of resolution		Resolved positively					
					In court		Before court		Number of people	
			Reported period	Entire period	Reported period	Entire period	Reported period	Entire period		
Chernihiv	18	84	3	5			15		81	1
Kherson	31	150					31		150	
Ternopil	48	5527		16			48	1	5562	
Vinnytsja	19	563		37			19	4	1517	
Rivne	31	60	3	4			28		54	
Zhytomyr	34	37	4	6			30	3	38	

oblast	Number of cases									
	Total number of applications	Number of persons affected by problems	In process of resolution		Resolved positively					Removed from record
			Reported period	Entire period	In court		Before court		Number of people	
					Reported period	Entire period	Reported period	Entire period		
Chernivtsi	28	477	3	19		5	24	25	116	
Lviv	46	46	6	18		6	40	3	50	
Sumy	43	44	4				39		39	
Odessa	10	615	2	30		1	8		12	
Kharkiv	27	29	9			4	18	14	130	
Poltava	19	19	10	78			9	184	9	
Khmelnysk	15	68	3	57		1	12	4	58	
Transcarpathian	28	31	25	130			4	3	7	
Volynj	31	535	12	37			19	1	472	1
Mykolaiv	17	18		4		7	19	94	20	19
Lugansk	15	35	14	16		1	1	29	15	
Kyiv	19	66	16	109			3	114	7	1
Cherkassy	31	31	5				26		26	
Kyrovograd	21	85	16	114			9	53	25	
Zaporizhzhja	21	21	6	73			24	115	24	
Dnipropetrovsk	37	451	28	75		1	31	205	63	
Donetsk	17	17	2	15			15	158	17	4
Ivano-Frankivsk	6	6	5				1	6	115	2
Crimea Autonomy *	204	204	204							

oblast	Number of cases									
	Total number of applications	Number of persons affected by problems	In process of resolution		Resolved positively				Removed from record	
			Reported period	Entire period	In court		Before court			Number of people
					Reported period	Entire period	Reported period	Entire period		
	816	9219	380	843	0	26	473	1016	8607	27

\* In November 2005 Crimea LAC was applied by:

Russians – 117 persons (57.4% of the total number of applications)

Ukrainians – 67 persons (32.8% of the total number of applications)

Tatars – 20 persons (9.8% of the total number of applications).

**For entire period:**

Oblast	Number of cases						
	Total number of applications	Number of persons affected by problems	In the process of resolution	Resolved positively			Removed from records
				In court	Before court	Number of people	
<b>Chernihiv</b>	678	11357	8	11	648	15554	11
<b>Kherson</b>	630	7961	3	12	604	5108	3
Ternopil	755	13309	16	1	730	14163	8
Vinnysja	777	72605	37	5	736	60760	1
Rivne	771	5762	7	28	736	4995	
Zhytomyr	748	2361	10	36	682	2299	20
Chernivtsi	498	3204	22	6	468	1819	2
Lviv	1000	2429	88	9	860	1009	43
Sumy	695	9292	143	10	541	6735	1
Odesa	284	10293	32	5	217	8196	26
Kharkiv	932	2016	140	44	735	1469	13
Poltava	282	2757	88		193	2369	1
Khmelnysk	273	1547	60	15	186	1201	12
Transcarpathian	229	454	154	1	53	214	22
Volynj	301	1513	49		242	1000	10
Mykolaiv	124	414	4	7	113	186	120
Lugansjk	97	684	10	2	67	81	



Oblast	Number of cases						
	Total number of applications	Number of persons affected by problems	In the process of resolution	Resolved positively			Removed from records
				In court	Before court	Number of people	
Kyiv	269	2206	136		127	1958	6
Cherkasy	76	775	43	2	37	39	21
Kyrovograd	163	1444	115		52	204	9
Zaporizzhja	189	189	74	1	115	115	116
Dnipropetrovsjk	281	1339	75	1	205	572	2
Donetsjk	177	183	11		158	160	8
Ivano-Frankivsjk	53	6316	24		27	1915	2
Crimea Autonomy	316	1306	275		40	1010	1
	<b>10598</b>	<b>161716</b>	<b>1624</b>	<b>196</b>	<b>8572</b>	<b>133131</b>	<b>458</b>

### Report on the outcome of meetings and seminars:

Reported period (November)			Entire period	
Oblast	Number of seminars	Attendance	Number of seminars	Attendance
<b>Chernihiv</b>	<b>14</b>	<b>429</b>	<b>349</b>	<b>13326</b>
<b>Kherson</b>	<b>14</b>	<b>460</b>	<b>360</b>	<b>12975</b>
Ternopil	13	298	227	14168
Vinnysja	12	281	314	14898
Rivne	21	721	310	11963
Zhytomyr	13	215	284	9535
Chernivtsi	17	324	224	12106
Lviv	15	261	227	6555
Sumy	18	610	306	9097
Odesa	15	437	235	5892
Kharkiv	4	106	142	4769
Poltava	19	290	201	5365
Khmelnysk	11	177	158	3904
Transcarpathian	17	480	166	5037
Volynj	21	487	194	5830
Mykolaiv	13	282	142	2673
Lugansjk	17	328	135	2737
Kyiv	17	589	148	3587
Cherkasy	24	659	120	3007
Kyrovograd	18	534	91	2963

Reported period (November)			Entire period	
Oblast	Number of seminars	Attendance	Number of seminars	Attendance
Zaporizhzhja	21	553	130	2706
Dnipropetrovsk	16	333	123	2711
Donetsk	16	236	117	3154
Ivano-Frankivsk	25	668	136	3471
Crimea Autonomy*	17	443	96	1793
	408	10201	4935	164222

\* In November 2005 the seminars of Crimea LAC were attended by:

Russians – 157 persons (35.4% of total attendance)

Ukrainians – 194 persons (43.8% of total attendance)

Tatars – 20 persons (20.3% of total attendance)

Clearly, the number of people requesting and receiving information, legal aid assistance and the tangible benefits people receive from this assistance continues to grow at a high rate as awareness and extension of ULTI project legal aid services grows.

In close synchronization with ULTI's expansion of legal aid services in all 25 oblasts, ULTI's public information and education team also organizes and executes an expanded program of national and oblast level radio and television programs, an out reach program of direct village visits and seminars conducted by information distribution specialists and legal aid teams, regular newspaper and magazine publications and periodic press conferences and policy forums for land market officials and stakeholders. These efforts also assure access to accurate information for rural citizens and local officials to learn and to protect citizens' rights in the course of land privatization and land titling whether or not the titling work is financed and supported directly by ULTI. In addition to regular radio and TV broadcasts, this month the public education team organized and conducted the Donetsk legal aid center dedication ceremony with Governor Chuprun and Mission Director Gast, the delimitation law introduction conference in Kiev with the Ukrainian Association of Cities and deputy Mission Director Hilliard and published and distributed ULTI's 6th magazine issue on land ownership rights to over 28,000 local and national officials and market participants in all 25 oblasts in Ukraine.

## Legal Aid results by case for the project to date:

Інформація про діяльність 25 ЦЮД станом на 1 грудня 2005р.

	кільк.справ	в інтересах	позит.виріш.	в інтересах	семінари	присутні	с/ради	ор.плата	письм.зв.	селян/паї	площа	спадкув.	площа	ферм.госп.	особист.госп.
Чернігівська	678	11357	648	15554	349	13326	390	163001.7	296	4	21.36	157	642.94	2	34
Херсонська	630	7961	604	5108	360	12975	298	565440	117	9	39.7	60	437.4	3	3
Тернопільська	755	13309	730	14163	227	14168	200	4280	104	14000	28500	230	460	5	1200
Вінницька	777	72605	736	60760	314	14898	340	302400	158	44059	110147	162	405	16	32
Рівненська	771	5762	736	4995	310	11963	285	26327	102	9	23.93	6	16.99		
Житомирська	748	2361	682	2299	284	9535	574	31046.14	165	46	181.15	15	51.26	1	2
Чернівецька	498	3204	468	1819	224	12106	154	26025	112	6	16.14	4	7.06		
Львівська	1000	2429	860	1009	227	6555	370	2065	165	54	95.63	11	21.23		
Сумська	695	9292	541	6735	306	9097	312	66806.37	150	6					
Одеська	284	10293	217	8196	235	5892	245	100303.09	88	2	7.88	14	65.08		3
Харківська	932	2016	735	1469	142	4769	165	101529.6	158	66	338.88	2	8.5		
Полтавська	282	2757	193	2369	201	5365	182	26487	222	2	13.02	13	46.96		
Хмельницька	273	1547	186	1201	158	3904	125	4530	97	5	12.39	1	3.1		2
Закарпатська	229	454	53	214	166	5037	149	16333.9	36	4	5.6	3	2.19		1
Волинська	301	1513	242	1000	194	5830	194	778.6	44						
Миколаївська	124	414	113	186	142	2673	132	3375.49	57	6	55.58	2	6.62		
Луганська	97	684	67	81	135	2737	135	4360	51	2	15.61	1	7.14		4
Київська	269	2206	127	1958	148	3587	98	600	147	1	2.94	2	6.22		
Черкаська	76	775	37	39	120	3007	112	1500	19			2	5.75		
Кіровоградська	163	1444	52	204	91	2963	94	1500	53	14	28	39	217.1		
Запорізька	189	189	115	115	130	2706	130	7092.3	163						
Дніпропетровська	281	1339	205	572	123	2711	124	96722.6	76	1	7.08	14	83.07		
Донецька	177	183	158	160	117	3154	114		41						
Івано-Франківська	53	6316	27	1915	136	3471	109	17600	25	25	32.5	5	5.15	1	
АРКрим	316	1306	40	1010	96	1793	87		38			4	17.2		
	10598	161716	8572	133131	4935	164222	5118	1570104	2684	58321	139544	747	2516	28	1281

## WORLD BANK CADASTRAL PROJECT DEVELOPMENTS

After 19 months, no State Acts have been issued in the WB rural land titling project.

ULTI has now fully implemented, tested and proven its new, combined land titling and legal aid service methodologies but must cease offering further subcontracting for this work due to current funding limits. The new methodologies are being used in Poltava, Vinnitsa, Khemilnitski, Ternopil, Ivano Frankivsk, Transcarpathia, Kiev, Volyn and now Crimea oblasts. They may also be implemented in one more small pilot program still under negotiation in Donetsk oblast in response to pending local requests for ULTI support to help finish incomplete, land titling in these oblasts.

The new methodologies enable rapid completion of SA issuance at less than \$3.00 per land share for agricultural land share holders who previously began, but were unable to complete, land titling at their own expense under high cost DereshKomZem controlled contracts. To date, ULTI has subcontracted about 5% of an estimated 2,000,000 such land share holders. All these remaining land share holders remain excluded from funding for SA issuance under the WB rural land titling project terms of reference and thus stand little chance of receiving SAs, despite excessive payments and years of waiting.

ULTI continues to make every possible effort to engage and encourage local and DC based World Bank representatives who oversee the WB rural land titling project to assist the new GOU to re-structure the WB loan Terms of Reference in order to assure completion of all remaining rural land titles in Ukraine. The current Terms of Reference are four years old and have not been updated.

During the last four years, the situation has changed radically. The main problem is that millions of land titles were started under Dershkomzem controlled contracts at excessive cost and at villager expense but were never finished. To finish all these incomplete rural land titles, ULTI know-how, GOU leadership, USAID support and WB cadastral loan resources are all needed. In particular, the methodologies developed and implemented by ULTI need to be transferred to, and adopted by the GOU and the WB cadastral project in the framework of updated and revised terms of reference for the WB rural land titling program. WB advisors have been fully and repeatedly informed of this situation. This month, there are some indications from Dershkomzem and a WB contractor they may finally be responding to our longstanding offer of assistance to update and restructure the scope of work for the rural land titling project.

One of the two existing WB rural land titling subcontractors, Blom, reported that Odessa oblast declined to participate in the WB project to finish land titling in 100 remaining Odessa villages. Blom also reported that so far it has only one field survey team working in Vinnitsa and has completed a handful of village land surveys in a scope of work including over 220 villages. Blom also requested ULTI provided land titling methodologies for organizing and finishing incomplete land titling. ULTI provided the materials to Blom while initiating a process that may lead to an experimental subcontract between Blom and the proposed legal aid NGO for unfinished land titling in Vinnitsa oblast. The other existing WB subcontractor, Marmanet, reported no land titling work started or finished in Chernigi, Kiev or Cherkasy oblasts. These are the only two subcontracts in effect in these five oblasts in the WB program.

Unfortunately, the Director of the Project Implementation Unit at Dershkomzem that oversees the WB rural land titling project reported that 80% of the WB's \$85 million in rural land titling funds would not be used for more land titling at the last working group meeting with ULTI experts at Dershkomzem in the first week in December. In a more hopeful development, the WB subcontractor Blom also reported that a new tender for the next oblasts included in WB land titling subcontract is scheduled January 11, 2006 and that the scope of work is supposed to be partially modified to allow some flexibility to add incomplete land titling work on a raion by raion basis. Blom provided ULTI a copy of the new tender documents and ULTI will review

them in next month's report. If true, this is the first instance of concrete action on the part of the WB consultants to correct the defects in the WB rural land titling Terms of Reference in order to assure 100% completion of State Act issuance to all rural land owners as promised in the WB tender loan documents.

Based on Presidential Decree #675 and new Presidential Order #1-1 / 539 of June 17, 2005 to complete all State Act issuance in the agricultural land reform by 2006, the Academy of Agrarian Sciences and the Ministry of Economy submitted a request to USAID to extend and expand ULTI rural land titling technical assistance so the GOU can carry out the presidential directive for 2 million more rural households. Many of these households did not receive land shares (e.g. Crimean Tatars) or started but did not finish land titling at their own expense (SE oblasts) or received land allocations without legal documentation confirming ownership of their plots (western oblasts). While there are proven ULTI methodologies to complete all of these problematic cases, there are no state budget resources available to complete this problematic land titling work, leaving villagers to fend for themselves. A similar request for 550,000 SAs was made by the Prime Minister of Crimea to USAID this month and is also pending. The Crimea PM's request includes comprehensive settlement of the Tatar land claims based on an oblast wide roll out of the breakthrough dispute resolution methodology in ULTI's new land titling pilot program in two raions of Crimea for about 11,000 land owners.

## **PROGRESS ON OVERALL OBJECTIVES – December 2005**

This month, ULTI completed and formally submitted the approved legal aid services NGO charter with supporting ethics, conflict of interest and client representation policies to Ministry of Justice following the round of founder's and oblast level organizing meetings required by law. The draft charter and its ethics policies were the work product of the legal policy team led by Pavel Kulinich and the Rural Development Institute short term advisors Robert Mitchell and Leonard Rolfes during their October and November assignments with comments and suggestions from Chemonics home office and Chief of Party.

This month ULTI also finalized the draft legal aid services contract between the project and the proposed NGO based on revisions and improvements provided by Chemonics home office, ULTI program managers, legal aid center coordinators and RDI advisors. The final version of the contract was submitted to USAID CTO and CO for approval on January 6.

Next month, the legal aid services team will complete an initial assessment and report on a pilot fee for service program to supplement NGO funding. ULTI submitted an initial outlook on NGO sustainability last month based on actual NGO expenses and available funding so USAID may plan how to support the survival of the NGO and the provision of free of charge legal services after lifting of the Moratorium on land sales in 2007 in keeping with GOU requests for support. The initial funding of the NGO for free of charge legal services to rural citizens can be provided by ULTI with reasonable certainty through June 2006. Depending on the rate of completion and cancellation of ULTI land titling contracts, additional funding may also become available to support the NGO for a portion of July, August and September 2006 but the availability and amount of this additional funding will not be ascertainable until April-June 2006. The NGO's ability to raise donations or obtain other sources of grant or subcontract funding will be a step by step development process over time. With good outside fundraising results, outside NGO funding may reach up to 30% of the NGO's overall funding need by the end of 2007. The NGO thus is expected to continue to need USAID finance for most of its current, nationwide legal aid service levels at least until 2007 in order to satisfy GOU requests for USAID support of free of charge legal aid services until after the lifting of the Moratorium on land sales.

Further development of the NGO requires completion of the registration by the MOJ and approval of the subcontract by USAID contracting office.

This month Chemonics and USAID have agreed and approved an ULTI management transition plan following the resignation of Allan Slipher from his long-term position as Chief of Party effective February 3, 2006. Mr. Slipher will continue in a short-term capacity overseeing ULTI project technical performance in three short term assignments in April, June and August. In January 2006, Mr. Pavel Kulinich assumed day to day supervision over ULTI policy and technical work. January 24, 2006, Ms. Julie Grygiel will join the project full time in the role of director of administration and finance. Transition will be completed the last week of January and first week of February. This transition modestly reduces ULTI expenses during 2006 while retaining continuity of management oversight over ULTI's scope of work.

This month, ULTI managers participated in the first joint working group meeting with Dershkomzem department heads and subcontractors on implementation of the WB cadastral project loan. Issues addressed in this meeting also included increased supply of blank State Act forms, elimination of registration fees for State Acts, modification of WB cadaster project terms of reference and amendments to the registration law. At the same time, we are advised by Rural Development Institute that their senior lawyer working with the ULTI project, Robert Mitchell, has been selected as legal advisor to the WB cadaster project implementation unit. This development is expected to positively influence GOU policy and improve the WB project terms of reference over time. A summary proposal of recommendations was sent to DKZ general director Sydorenko and USAID on December 15 following this meeting.

Finally, after 20 months, the WB rural land titling project has partially modified the terms of reference used for future land titling subcontracts in a tender proposed to be conducted in January 2006. A copy of the new terms of reference was provided to ULTI by Blom, the only existing working subcontractor in the WB funded project. The ALT team is reviewing the changes. ULTI also provided this subcontractor our terms of reference for subcontracting local survey companies so Blom may finish titling work left incomplete under old Dershkomzem state surveying institute subcontracts. So far, Blom has fielded one survey team and commenced land survey work in a few villages preparatory to issuing land titles in only one oblast (Vinnitsa). Blom and the legal aid team of ULTI are also exploring possible future cooperation in completing such unfinished titling work in Vinnitsa oblast using the ULTI methodologies. The other existing WB project subcontractor, Marmelot, has still not commenced any work. The other four oblasts included in 2005 World Bank cadastral project tenders (Odessa, Chenigi, Kiev and Cherkasy) also still have no new land survey or land titling work started to date.

More effective and frequent communications are developing between the new Dershkomzem management and ULTI evidenced by an improved draft of the delimitation law introduced into the VR with Dershkomzem cooperation and re-supply of blank State Act forms to oblasts for land titling. At the same time, however, Dershkomzem is no longer fulfilling its agreed obligations and commitments to stop cadaster center registration fees for State Acts. In fact, the registration fee collection problem is worsening again. This month, the GOU anti-monopoly committee also published findings that Dershkomzem's commercially structured cadaster centers are a violation of Ukraine's anti-monopoly laws. In sum, Dershkomzem and its cadaster centers are increasingly troubled organizations that are again feeding off the already over burdened rural population.

This month, ULTI again directly addressed illegal registration fee collection through a series of department head meetings between ULTI team leaders and Dershkomzem central management while continuing public information campaigns exposing how charging such fees is a violation of law that obstructs completion of the land reform in keeping with objectives set by President Yushchenko in his June 17, 2005 Decree 1-1/539. Our ALT team manager was informally advised by Dershkomzem department heads that "in several weeks" registration fees will cease with costs of registration financed from WB cadastral loan proceeds. We will monitor developments through January then take further action if this issue is not resolved.

To help resolve the registration fee problem permanently, ULTI renewed its offer to the new director of Dershkomzem to provide a comprehensive technical assistance program within ULTI's current task order to assist Dershkopmzem to restructure the WB cadastral project. ULTI offers Dershkomzem comprehensive management, legal and technical advisory assistance from ULTI experts in order to reform registration procedures and fees, reduce costs and improve performance in State Act issuance by the Project Implementation Unit (PIU) responsible to implement the World Bank cadastral loan rural land titling program.

The GOU badly needs new reforms and improved implementation programs to complete the agricultural land reform and to build unified land, building and mortgage markets. This is a complex and vital undertaking affecting 50%, or more, of Ukraine's potential GDP. Further, at best, ULTI believes only about half of the initial 7 million agricultural land titles are issued and still less of the estimated 10 million rural house and garden plot land titles have been done. While the funds in the WB rural land titling program are sufficient to complete most of this land titling, the scope of work of the WB project has still not been updated and improved to include all the land titling that can and should be done with these funds. These reforms and programs must be properly prepared and timely implemented by competent and committed personnel to complete the rural land reform and to realize the expected economic benefits.

A VR deputy, L. Usachenko, who is actively coordinating this effort with the Our Ukraine leadership in the VR and the Cabinet of Ministers, recently met Mr. Sydorenko at DKZ to encourage this WB loan restructuring in cooperation with ULTI. At the same time this deputy also requested a policy recommendation letter from ULTI for hand delivery to the Prime Minister so that the CoM may also take up this issue with the World Bank. ULTI provided this policy recommendation letter to this deputy this month at the same time as the latest meeting with the Dershkomzem working group. The letter is a summary of the policy recommendations made at ULTI's land registration conference in July and reported in full in September. We remain hopeful, despite the Dershkomzem backsliding, that this approach may help lead to higher level agreement with the GOU to restructure the WB rural land titling project to include all rural titles and to eliminate village payment of registration fees for all free of charge land privatization. One result to date: a significant number ULTI's priority policy recommendations have been incorporated into a presidential decree issued November 21 that requires sweeping reform and improvement in the sphere of land relations during 2006.

## **LAND TITLING**

ULTI continues to implement and refine new methodologies in regional pilot projects to solve Ukraine's increasingly complex array of incomplete rural land titling problems. This work is essential for improving the WB rural land titling project and to ensure it completes all agricultural land titling work including rural house and garden plots. In Ivano Frankivsk, Zhitomir, Transcarpathia and now Crimea, ULTI's mass production and performance based payment methods have reduced costs of preparation and issuance of SAs for house and garden plots from 150 UAH or more to 35UAH or less. If applied nationwide through the WB rural land



titling program for an estimated 10 million eligible rural citizens, ULTI methods would save the GOU and rural citizens another US \$250 million while rapidly accelerating mass scale development of Ukraine's rural land and mortgage markets.

In Poltava, Vinnitsa, Volyn, Ternopil, and Khemilnitski oblasts, new land titling methods also employ legal aid centers to close out old, unfinished and high cost subcontracts while finishing SA issuance under reduced cost ULTI subcontracts at 15 UAH or less per land share for about 100,000 villagers. Results to date include completion of issuance of 70,000 State Acts in as little as 3 months. If applied for all 2 million incomplete cases through the WB rural land titling program, this methodology would save villagers and the GOU another \$15 million while much more rapidly completing the agricultural land reform.

This month, a new ULTI pilot project began work to finish incomplete agriculture land titling work, to prepare and issue State Acts for village house plots and garden plots and to solve the deadlocked land disputes among ethnic groups in Crimea. Two new land titling subcontracts for these problematic cases include over 11,000 people and parcels in two raions in Crimea. In the case of Crimea, allocation and titling of house and garden plots together with land shares is a workable and promising methodology to settle claims of landless villagers and Tatars without causing social conflict with other villagers by forced reduction in the size of their existing land shares / parcels. This method and this pilot project were both endorsed by a confirming letter of request for this assistance issued by the PM of the autonomous republic of Crimea sent to USAID Mission Director Earl Gast. The PM's letter also asked for USAID support to prepare and issue 500,000 more State Acts in Crimea using this methodology to complete the land reform and settle the claims of the Tatars while doing so. USAID response is pending.

As of this month, ULTI has issued a total of 1,244,500 State Acts for agricultural land in 1721 Work Areas. A work area is usually one village rada. ULTI staff verified that these State Acts have actually been issued. This month 29,200 titles were issued. Additionally, 84,200 more land shares in 149 Work Areas are converted and titles are in the hands of the authorities waiting to be issued to citizens. The issuance backlog increased by about 15,200 this month compared to last month. Altogether, State Acts have now been issued or prepared and delivered for issuance with ULTI support for 1,114,384 citizens to date.

ULTI has 105 land titling contracts still in progress. These contracts have 736 Work Areas in progress, covering 381,000 Land Share Certificates, including the 84,200 already in the hands of the authorities waiting for titles to be issued to citizens and an additional 180,000 where title printing and preparation is waiting on local government completion of allocation decisions.

Fig. 1 shows planned vs. actual progress to date for agricultural land titling. Over time, USAID adjusted our goals from 970,000 land shares contracted/1.8 million SAs issued to 1,420,000 land shares contracted/1.8 million SAs issued. This substantial increase in the number of people who receive State Acts reflects three USAID extensions increasing the amount of the land titling budget, a reduction in the number of State Acts issued per land share as a result of DKZ policy and lack of State Act forms, significant savings achieved by project engineered methods and lower prices for ULTI land titling contracts as a result of competitive tendering.

### Progress Chart

Fig. 1. ALT progress in issuing State Acts for agricultural land as of this month. Large volumes of Land Share Certificates are awaiting assignment to citizens by the authorities (ULTI Phase 2 complete), or issuance to citizens by the authorities (ULTI Phase 3A).

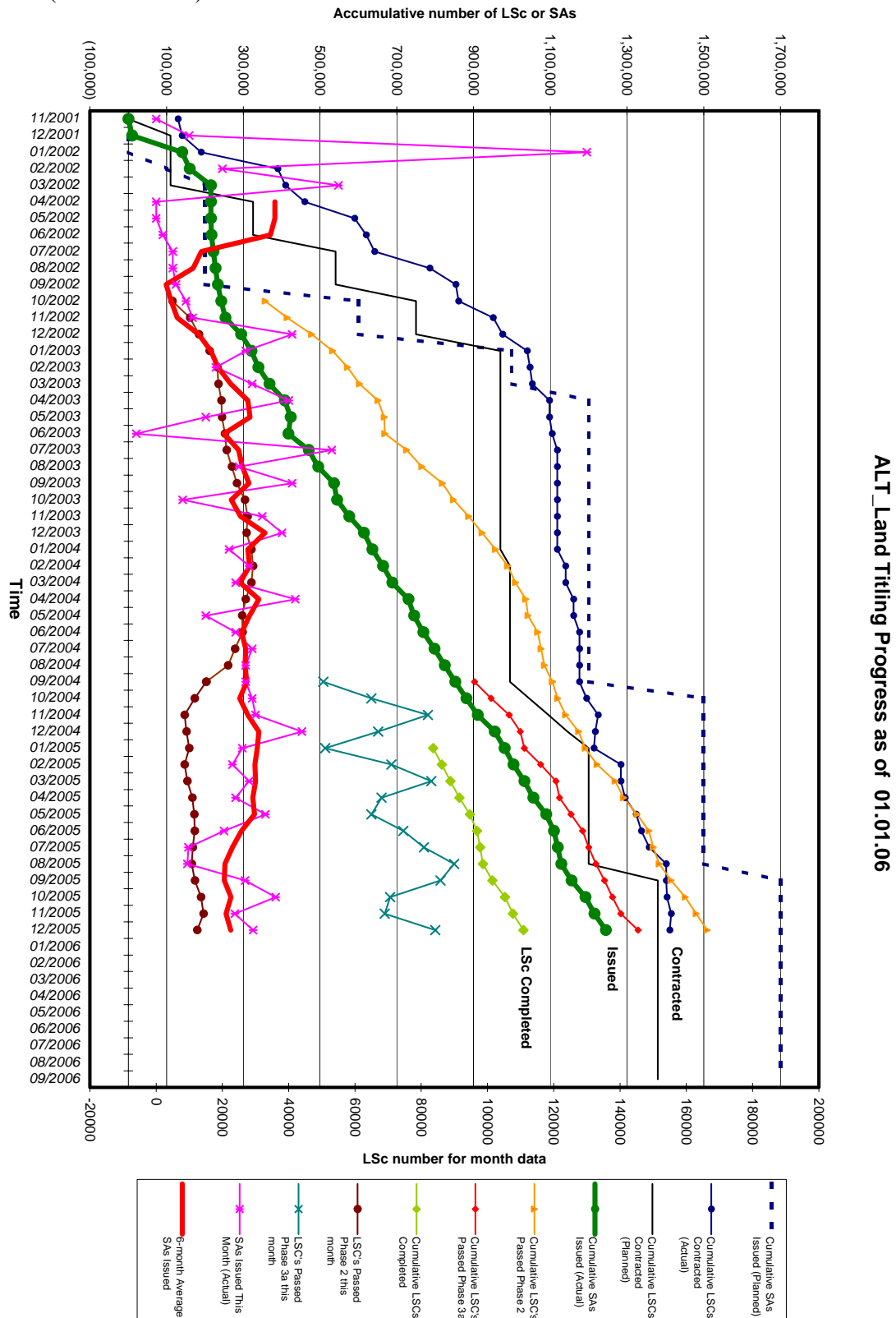
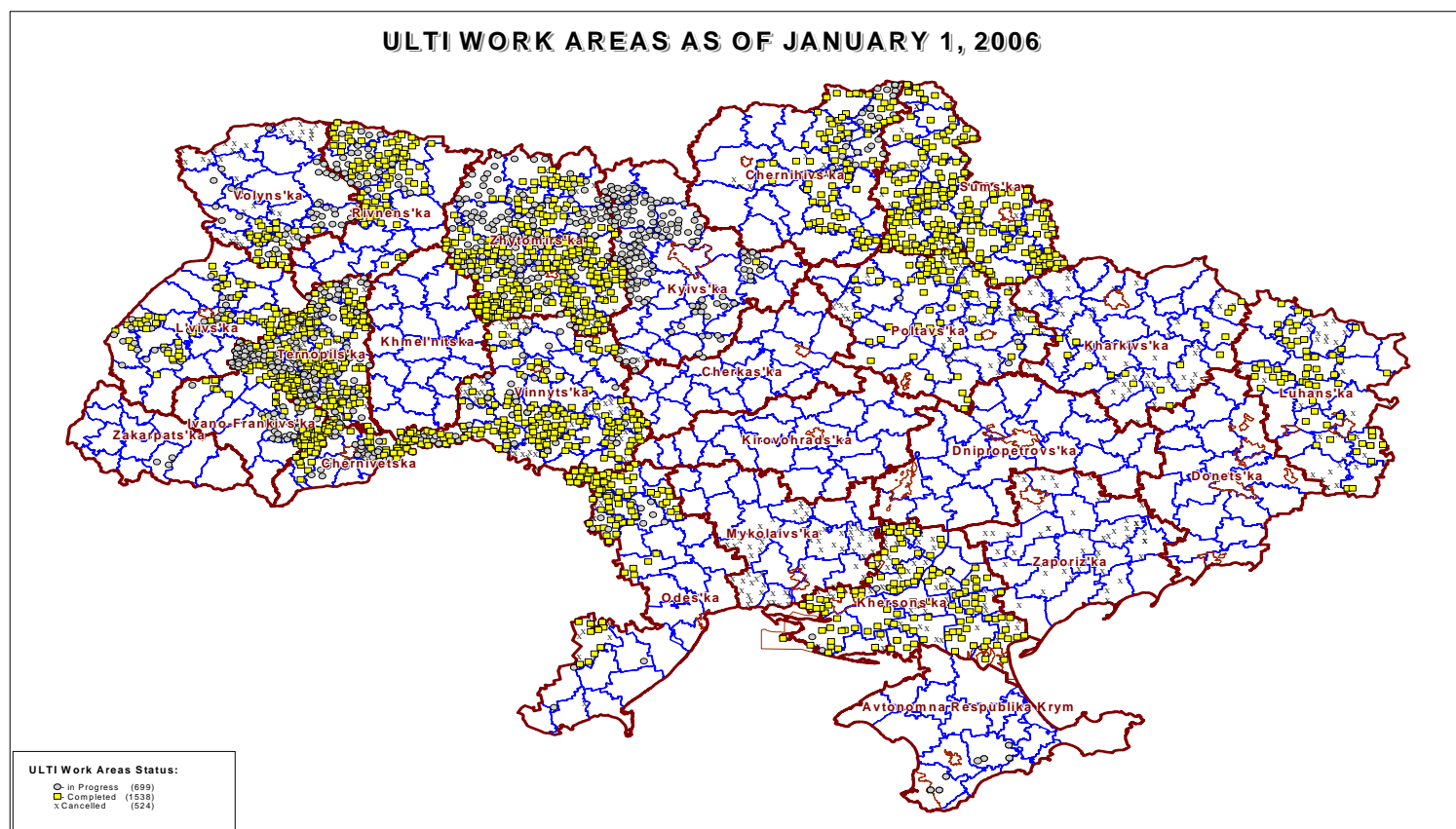


Fig. 2 shows land titling by work areas (village radas) and by oblast in Ukraine.

Map

Fig. 2. ALT overview map as of January 1, 2006. The map shows Local Radas in which ULTI is supporting land titling.



Our contracting policy is to sign contracts on the basis of Land Share Certificates (LSC's), not State Acts. One LSC was issued per person. Some LSC's are converted into multiple State Acts: On average across all of our completed Work Areas, 1.25 SAs are issued for each LSC contracted. Our contracts thus yield a larger number of State Acts than the basic number of LSC's contracted.

We estimate that on average, each LSC is converted into approximately 2.75 land parcels. We therefore estimate that we have issued titles to about 3,000,000 parcels. However, due to DKZ procedures and recurring shortages of state act blank forms, these multiple parcels are now usually entered into one single SA for printing and issuance.

As part of this work, 98,000 of Derzhkomzem's unfinished surveys and land titles have been re-contracted through ULTI; 70,400 of that amount are now completed and State Acts issued. For this work, the ULTI legal aid centers confirm that the prior survey contract has been cancelled

and the ULTI field inspection team verifies that no payments were made by villagers to complete the unfinished work after ULTI took over management and support of the title preparation process.

Another 180,000 titles in 320 Work Areas have completed the survey and map preparation stage but are awaiting allocation to citizens by the authorities. The total backlog due to the authorities is now 264,200 LSC's. The overall backlog decreased by 15,600 LSCs this month.

There are also 101,000 land shares in 177 Work Areas that have been subcontracted and are in the process of finishing field work and mapping in keeping with ULTI deadlines based on the latest ULTI project extension. Most are recent subcontracts although about 20% have remained incomplete 6 months or longer. If this field-work is not finished in keeping with the ULTI deadlines, then there will not be an adequate legal basis nor time for the authorities to take allocation decisions, print and issue titles before the scheduled end of the project. A similar review and cull of work areas will be made where the authorities have not completed their allocation decisions and signing of State Acts, between April 1, 2006 and May 31, 2006 because insufficient time will then remain to assure that SAs are approved, printed, issued and verified before the scheduled end of the project. As a result, any work areas where field work, parcel mapping, allocation decisions or printing or signing of State Acts is not finished by the authorities before the time limit set for each stage of work, may be cancelled at any time.

The lack of State Acts blank forms and illegal collection of registration fees still does not allow printing and delivering more than 15,000 additional State Acts. We note that the new Dershkomzem management has partly fulfilled its promise that more blank forms are being printed and delivered to oblasts that have run out but at the same time DKZ has instructed or allowed cadaster centers to start collecting illegal registration fees. ULTI will continue to monitor forms supply and illegal registration fees and intervene with Dershkomzem management to resolve the obstructions.

This month, ALT team finished notifying survey firms and regional government authorities of their time limits and deadline obligations to complete all work through printing of State Acts by May 31, 2006 in timely manner. Each firm and each local government is expected to sign off on the deadline for each remaining stage of work so there is clear accountability if and when work is cancelled. This two step review and cancel process may result in cancellation of an estimated 70,000 titles, about 5% of the total subcontracted, as provided in the new ULTI project extension agreement. Cancellation funds, if any will either be used for additional land titling in southeast oblasts if time and circumstances permit, or to maintain the current level of legal aid and public education services, to the greatest extent possible, in July, August and September 2006.

Table 1. Status of ULTI State Act Issuance By Oblast for December 2005

**Status of SA issuance as of 01.01.2006**

Status of SA Issuance as of 01.01.2000

Oblast	Work Area Status	Data	Total
АВТОНОМНА РЕСПУБЛІКА КРИМ	In Progress	Count of work area code	6
		Sum of Contracted LSCs to Convert	11,327
		Sum of Actually Processed LSCs	
		Sum of Actually Issued SAs	
АВТОНОМНА РЕСПУБЛІКА КРИМ Count of work area code			6
АВТОНОМНА РЕСПУБЛІКА КРИМ Sum of Contracted LSCs to Convert			11,327
АВТОНОМНА РЕСПУБЛІКА КРИМ Sum of Actually Processed LSCs			
АВТОНОМНА РЕСПУБЛІКА КРИМ Sum of Actually Issued SAs			
ВІННИЦЬКА	Completed	Count of work area code	153
		Sum of Contracted LSCs to Convert	104,744
		Sum of Actually Processed LSCs	106,021
		Sum of Actually Issued SAs	106,060
	In Progress	Count of work area code	44
		Sum of Contracted LSCs to Convert	21,876
		Sum of Actually Processed LSCs	3,281
		Sum of Actually Issued SAs	3,281
ВІННИЦЬКА Count of work area code			197
ВІННИЦЬКА Sum of Contracted LSCs to Convert			126,620
ВІННИЦЬКА Sum of Actually Processed LSCs			109,302
ВІННИЦЬКА Sum of Actually Issued SAs			109,341
ВОЛИНСЬКА	Completed	Count of work area code	30
		Sum of Contracted LSCs to Convert	15,391
		Sum of Actually Processed LSCs	16,243
		Sum of Actually Issued SAs	16,240
	In Progress	Count of work area code	40
		Sum of Contracted LSCs to Convert	20,079
		Sum of Actually Processed LSCs	5,173
		Sum of Actually Issued SAs	5,173
ВОЛИНСЬКА Count of work area code			70
ВОЛИНСЬКА Sum of Contracted LSCs to Convert			35,470
ВОЛИНСЬКА Sum of Actually Processed LSCs			21,416
ВОЛИНСЬКА Sum of Actually Issued SAs			21,413
ЖИТОМИРСЬКА	Completed	Count of work area code	258
		Sum of Contracted LSCs to Convert	126,759
		Sum of Actually Processed LSCs	130,464
		Sum of Actually Issued SAs	165,125
	In Progress	Count of work area code	147
		Sum of Contracted LSCs to Convert	66,627
		Sum of Actually Processed LSCs	1,130
		Sum of Actually Issued SAs	1,130
ЖИТОМИРСЬКА Count of work area code			405
ЖИТОМИРСЬКА Sum of Contracted LSCs to Convert			193,386

ЖИТОМИРСЬКА Sum of Actually Processed LSCs			131,594
ЖИТОМИРСЬКА Sum of Actually Issued SAs			166,255
ЗАКАРПАТСЬКА	In Progress	Count of work area code	3
		Sum of Contracted LSCs to Convert	12,786
		Sum of Actually Processed LSCs	
		Sum of Actually Issued SAs	
ЗАКАРПАТСЬКА Count of work area code			3
ЗАКАРПАТСЬКА Sum of Contracted LSCs to Convert			12,786
ЗАКАРПАТСЬКА Sum of Actually Processed LSCs			
ЗАКАРПАТСЬКА Sum of Actually Issued SAs			
ІВАНО-ФРАНКІВСЬКА	Completed	Count of work area code	53
		Sum of Contracted LSCs to Convert	33,406
		Sum of Actually Processed LSCs	33,873
		Sum of Actually Issued SAs	38,625
	In Progress	Count of work area code	66
		Sum of Contracted LSCs to Convert	39,074
		Sum of Actually Processed LSCs	
		Sum of Actually Issued SAs	
ІВАНО-ФРАНКІВСЬКА Count of work area code			119
ІВАНО-ФРАНКІВСЬКА Sum of Contracted LSCs to Convert			72,480
ІВАНО-ФРАНКІВСЬКА Sum of Actually Processed LSCs			33,873
ІВАНО-ФРАНКІВСЬКА Sum of Actually Issued SAs			38,625
КИЇВСЬКА	Completed	Count of work area code	1
		Sum of Contracted LSCs to Convert	438
		Sum of Actually Processed LSCs	425
		Sum of Actually Issued SAs	882
	In Progress	Count of work area code	142
		Sum of Contracted LSCs to Convert	60,324
		Sum of Actually Processed LSCs	
		Sum of Actually Issued SAs	
КИЇВСЬКА Count of work area code			143
КИЇВСЬКА Sum of Contracted LSCs to Convert			60,762
КИЇВСЬКА Sum of Actually Processed LSCs			425
КИЇВСЬКА Sum of Actually Issued SAs			882
ЛУГАНСЬКА	Completed	Count of work area code	74
		Sum of Contracted LSCs to Convert	35,825
		Sum of Actually Processed LSCs	35,742
		Sum of Actually Issued SAs	35,742
ЛУГАНСЬКА Count of work area code			74
ЛУГАНСЬКА Sum of Contracted LSCs to Convert			35,825
ЛУГАНСЬКА Sum of Actually Processed LSCs			35,742
ЛУГАНСЬКА Sum of Actually Issued SAs			35,742
ЛЬВІВСЬКА	Completed	Count of work area code	66
		Sum of Contracted LSCs to Convert	34,825
		Sum of Actually Processed LSCs	37,444
		Sum of Actually Issued SAs	47,062
	In Progress	Count of work area code	52
		Sum of Contracted LSCs to Convert	30,185

		Sum of Actually Processed LSCs	1,184
		Sum of Actually Issued SAs	1,786
ЛЪВІВСЬКА Count of work area code			118
ЛЪВІВСЬКА Sum of Contracted LSCs to Convert			65,010
ЛЪВІВСЬКА Sum of Actually Processed LSCs			38,628
ЛЪВІВСЬКА Sum of Actually Issued SAs			48,848
ОДЕСЬКА	Completed	Count of work area code	80
		Sum of Contracted LSCs to Convert	49,043
		Sum of Actually Processed LSCs	52,618
		Sum of Actually Issued SAs	53,498
	In Progress	Count of work area code	13
		Sum of Contracted LSCs to Convert	12,021
		Sum of Actually Processed LSCs	752
		Sum of Actually Issued SAs	752
ОДЕСЬКА Count of work area code			93
ОДЕСЬКА Sum of Contracted LSCs to Convert			61,064
ОДЕСЬКА Sum of Actually Processed LSCs			53,370
ОДЕСЬКА Sum of Actually Issued SAs			54,250
ПОЛТАВСЬКА	Completed	Count of work area code	65
		Sum of Contracted LSCs to Convert	47,426
		Sum of Actually Processed LSCs	47,677
		Sum of Actually Issued SAs	50,502
	In Progress	Count of work area code	4
		Sum of Contracted LSCs to Convert	2,615
		Sum of Actually Processed LSCs	320
		Sum of Actually Issued SAs	320
ПОЛТАВСЬКА Count of work area code			69
ПОЛТАВСЬКА Sum of Contracted LSCs to Convert			50,041
ПОЛТАВСЬКА Sum of Actually Processed LSCs			47,997
ПОЛТАВСЬКА Sum of Actually Issued SAs			50,822
РІВНЕНСЬКА	Completed	Count of work area code	78
		Sum of Contracted LSCs to Convert	50,210
		Sum of Actually Processed LSCs	49,918
		Sum of Actually Issued SAs	82,479
	In Progress	Count of work area code	30
		Sum of Contracted LSCs to Convert	21,399
		Sum of Actually Processed LSCs	1,176
		Sum of Actually Issued SAs	1,176
РІВНЕНСЬКА Count of work area code			108
РІВНЕНСЬКА Sum of Contracted LSCs to Convert			71,609
РІВНЕНСЬКА Sum of Actually Processed LSCs			51,094
РІВНЕНСЬКА Sum of Actually Issued SAs			83,655
СУМСЬКА	Completed	Count of work area code	231
		Sum of Contracted LSCs to Convert	144,883
		Sum of Actually Processed LSCs	145,775
		Sum of Actually Issued SAs	212,594
СУМСЬКА Count of work area code			231
СУМСЬКА Sum of Contracted LSCs to Convert			144,883

СУМСЬКА Sum of Actually Processed LSCs			145,775
СУМСЬКА Sum of Actually Issued SAs			212,594
ТЕРНОПІЛЬСЬКА	Completed	Count of work area code	187
		Sum of Contracted LSCs to Convert	90,633
		Sum of Actually Processed LSCs	92,659
		Sum of Actually Issued SAs	95,480
	In Progress	Count of work area code	105
		Sum of Contracted LSCs to Convert	57,920
		Sum of Actually Processed LSCs	2,008
		Sum of Actually Issued SAs	2,008
ТЕРНОПІЛЬСЬКА Count of work area code			292
ТЕРНОПІЛЬСЬКА Sum of Contracted LSCs to Convert			148,553
ТЕРНОПІЛЬСЬКА Sum of Actually Processed LSCs			94,667
ТЕРНОПІЛЬСЬКА Sum of Actually Issued SAs			97,488
ХАРКІВСЬКА	Completed	Count of work area code	17
		Sum of Contracted LSCs to Convert	7,224
		Sum of Actually Processed LSCs	6,747
		Sum of Actually Issued SAs	6,747
ХАРКІВСЬКА Count of work area code			17
ХАРКІВСЬКА Sum of Contracted LSCs to Convert			7,224
ХАРКІВСЬКА Sum of Actually Processed LSCs			6,747
ХАРКІВСЬКА Sum of Actually Issued SAs			6,747
ХЕРСОНСЬКА	Completed	Count of work area code	129
		Sum of Contracted LSCs to Convert	71,362
		Sum of Actually Processed LSCs	67,085
		Sum of Actually Issued SAs	69,818
	In Progress	Count of work area code	4
		Sum of Contracted LSCs to Convert	1,836
		Sum of Actually Processed LSCs	
		Sum of Actually Issued SAs	
ХЕРСОНСЬКА Count of work area code			133
ХЕРСОНСЬКА Sum of Contracted LSCs to Convert			73,198
ХЕРСОНСЬКА Sum of Actually Processed LSCs			67,085
ХЕРСОНСЬКА Sum of Actually Issued SAs			69,818
ХМЕЛЬНИЦЬКА	Completed	Count of work area code	67
		Sum of Contracted LSCs to Convert	25,575
		Sum of Actually Processed LSCs	26,875
		Sum of Actually Issued SAs	26,875
	In Progress	Count of work area code	4
		Sum of Contracted LSCs to Convert	3,829
		Sum of Actually Processed LSCs	
		Sum of Actually Issued SAs	
ХМЕЛЬНИЦЬКА Count of work area code			71
ХМЕЛЬНИЦЬКА Sum of Contracted LSCs to Convert			29,404
ХМЕЛЬНИЦЬКА Sum of Actually Processed LSCs			26,875
ХМЕЛЬНИЦЬКА Sum of Actually Issued SAs			26,875
ЧЕРКАСЬКА	Completed	Count of work area code	27
		Sum of Contracted LSCs to Convert	21,837



		Sum of Actually Processed LSCs	21,845
		Sum of Actually Issued SAs	21,845
ЧЕРКАСЬКА Count of work area code			27
ЧЕРКАСЬКА Sum of Contracted LSCs to Convert			21,837
ЧЕРКАСЬКА Sum of Actually Processed LSCs			21,845
ЧЕРКАСЬКА Sum of Actually Issued SAs			21,845
ЧЕРНІВЕЦЬКА	Completed	Count of work area code	69
		Sum of Contracted LSCs to Convert	56,004
		Sum of Actually Processed LSCs	54,402
		Sum of Actually Issued SAs	68,740
	In Progress	Count of work area code	46
		Sum of Contracted LSCs to Convert	36,551
		Sum of Actually Processed LSCs	5,672
		Sum of Actually Issued SAs	5,651
ЧЕРНІВЕЦЬКА Count of work area code			115
ЧЕРНІВЕЦЬКА Sum of Contracted LSCs to Convert			92,555
ЧЕРНІВЕЦЬКА Sum of Actually Processed LSCs			60,074
ЧЕРНІВЕЦЬКА Sum of Actually Issued SAs			74,391
ЧЕРНІГІВСЬКА	Completed	Count of work area code	136
		Sum of Contracted LSCs to Convert	80,141
		Sum of Actually Processed LSCs	83,675
		Sum of Actually Issued SAs	124,910
	In Progress	Count of work area code	30
		Sum of Contracted LSCs to Convert	17,092
		Sum of Actually Processed LSCs	
		Sum of Actually Issued SAs	
ЧЕРНІГІВСЬКА Count of work area code			166
ЧЕРНІГІВСЬКА Sum of Contracted LSCs to Convert			97,233
ЧЕРНІГІВСЬКА Sum of Actually Processed LSCs			83,675
ЧЕРНІГІВСЬКА Sum of Actually Issued SAs			124,910
Total Count of work area code			2,457
Total Sum of Contracted LSCs to Convert			1,411,267
Total Sum of Actually Processed LSCs			1,030,184
Total Sum of Actually Issued SAs			1,244,501

New subcontracts for more agricultural land titling have been completed or are in process for more land shareholders and at lower costs than planned. To date, there are 1,411,267 land shares for which State Acts are completed or now under subcontract and in production. Altogether, this is about 250,000 more land shares than was funded by USAID to date. Signing of all land titling subcontracts is complete due to current ULTI time and funding limits.

This increased amount of work is a result of savings and procedural efficiencies engineered by ULTI. It is sufficient to result in issuance of just under 1,800,000 SAs and fulfillment of the ULTI project overall goal by the current end date of the project if there are no delays or obstructions by state authorities and there are no cancellations of subcontracts due to lack of approvals and issuance of state acts by authorities within the time available to complete all work.

Examples of delays or obstructions are failure of state authorities to obtain applications from citizens, make decisions excluding degraded land, give survey approvals, hold general meetings to ratify allocation decisions, supply blank forms, sign and issue SAs as well as local disputes among land share holders, lessees or local governments that are beyond ULTI or land titling subcontractor control. Other examples of official obstructions are illegal disqualification of rural land owners from low income subsidies or illegal charging and collection of taxes or fees for forms, registration and other official services. Further, in the event of delays or obstructions, issuance of some subcontracted SAs may not be possible before the current scheduled end date of the ULTI project. As a result, any incomplete land titling subcontracts may be subject to termination due to lack of time to complete preparation and issuance of SAs. Based on past experience, ULTI estimates that up to 10% of subcontracted titling work may be cancelled because of obstructions by the authorities prior to the scheduled end of the ULTI project.

This month, SA issuance financed by ULTI again faced large scale obstruction because of unlawful registration fee collections by the DershKomZem cadastral centers set up under the WB cadaster project. Registration fees also continue to be collected unlawfully and routinely from citizens in all village radas where ULTI does not work. This obstruction is directly attributable to lack of progress and funding from the World Bank rural land titling project to pay all registration related costs for all State Acts in cases of free of charge privatization of land as required by law. Next month, ULTI will again attempt to solve the issue of registration fees in Dershkomzem working group meetings and through public information campaigns. But because of longstanding and entrenched opposition to free of charge registration by many central office Dershkomzem officials, ULTI again may need to request USAID intervention with the GOU at higher level to stop this obstruction as previously occurred in May 2004 .

Registration fees in excessive amounts are also collected everywhere for land leases after State Acts have been issued which severely reduces the first year's income of the new land owner. We also recently became aware that some cadaster center employees are trying unlawfully to prepare and issue an administrative order at the departmental level prohibiting free of charge registration, allegedly to counteract impending financial collapse and bankruptcy of cadaster centers due to lack of funding from the state. In a more hopeful development, fewer oblasts and raions now report shortages or total lack of supply of blank SA forms by DKZ. This month, Dershkomzem delivered enough emergency supplies of blank SA forms in Kiev, Zhitomir and other high production oblasts to reduce the backlog waiting for forms.

## **LEGAL AID and PUBLIC EDUCATION**

ULTI continues direct delivery of public education and legal aid services to all eligible citizens throughout Ukraine in order to keep pace, coordinate and benefit from the expanded scope of ULTI agricultural land titling and pilot first registration projects. In December, ULTI focused national radio and television public information activities on exposing and stopping the recent illegal registration fee collections by Dershkomzem cadaster centers.

To date, 11,263 cases have been opened and 180,626 citizens have been served by the 25 legal aid centers operated by ULTI with USAID support. Of these 9,131 cases benefiting 153,616 citizens have been resolved by negotiation before going to court. This month 18,899 more persons received this free assistance. To date, LACs have also conducted 5,270 seminars for 173,577 rural citizens on land ownership and lease rights. LAC's have also successfully recovered UAH 1,625,791 in unpaid land lease rents for villagers, helped 65,329 citizens obtain land shares for 153,074 hectares of land and assisted 772 families with inheritance of land shares.

Almost 98% of cases are settled without court proceedings but the LACs have also produced a number of precedent setting court decisions, including the first decision in any Ukrainian court for extra payment of moral damages in cases of unpaid land lease rent.

Following are charts with detailed results for December and for the entire project to date for each center in the legal aid program, including ethnic data for the Crimea LAC .

#### December 2005

Oblast	Number of cases									Removed from record
	Total number of applications	Number of persons affected by problems	In process of resolution		Resolved positively					
			Reported period	Entire period	In court		Before court		Number of people	
					Reported period	Entire period	Reported period	Entire period		
Chernihiv	19	78	7	4		1	10	2	22	3
Kherson	31	131					31		131	
Temopil	54	7422	3	16			51		7330	
Vinnysja	23	687		26			23	11	2437	
Rivne	19	39	3	5		2	16		41	
Zhytomyr	41	44	4	8		1	37	1	42	
Chernivtsi	26	65	1	21		5	25	26	53	
Lviv	50	50	8	21		2	42	4	446	
Sumy	30	278	4				26		256	
Odessa	7	67	5	32			2		2	
Kharkiv	41	61	19			2	22	12	79	
Poltava	20	27	7	86		1	13	194	14	
Khmelnysk	15	88	7	49		1	8	8	89	
Transcarpathian	11	70	11	144		1		10	11	
Volyn	19	479	4	49			15		462	
Mykolaiv	19	45	1	4		7	18	113	44	18
Luhansk	39	39	38	59		1	1	38	39	
Kyiv	27	164	16	135	1		17	126	20	1
Cherkasy	18	18	1				15	2		
Kyrovograd	32	44	28	142			4	53	8	
Zaporizzhja	17	17	2	57			32	149	206	32
Dnipropetrovsk	34	42	18	77		1	32	237	40	
Donetsk	18	18	2	9			16	174	18	6
Ivano-Frankivsk	16	8859	2	745			14	3	8811	
Crimea Autonomy	27	57	27	257			18		18	
	653	18889	218	1946	1	25	488	1163	20619	57

**For the total period:**

Oblast	Number of cases						
	Total number of applications	Number of persons affected by problems	In the process of resolution	Resolved positively			Removed from record
				in court	before court	number of persons	
Chernihiv	697	11435	11	12	660	15576	14
Kherson	661	8092	3	12	635	5239	3
Terнопil	809	20731	19	1	781	21493	8
Vinnitsja	802	73293	26	5	770	63197	1
Rivne	790	5801	8	30	752	5036	
Zhytomyr	789	2405	12	37	720	2341	20
Chernivtsi	524	3269	22	6	494	1872	2
Lviv	1050	2479	86	11	906	1455	47
Sumy	725	9570	142	10	572	6998	1
Odessa	291	10360	37	5	219	8198	26
Kharkiv	973	2077	145	46	769	1548	13
Poltava	302	2794	93	1	207	2383	1
Khmelnysk	288	1635	56	16	202	1290	12
Transcarpathian	240	524	155	1	63	224	22
Volyn	320	1992	53		257	1462	10
Mykolaiv	143	459	5	7	131	230	138
Luhansk	136	723	69	2	75	136	
Kyiv	296	2370	143	1	145	1979	7
Cherkasy	104	803	24	3	54	54	23
Kyrovograd	195	1488	143		56	212	9
Zaporizzhja	206	206	57	1	149	149	149
Dnipropetrovsk	315	1381	77	1	237	612	2
Donetsk	195	201	7		174	176	14
Ivano-Frankivsk	69	15175	22		45	10728	2
Crimea Autonomy	343	1363	284		58	1028	1
	<b>11263</b>	<b>180626</b>	<b>1699</b>	<b>208</b>	<b>9131</b>	<b>153616</b>	<b>525</b>

## Summary of Cases for Beneficiaries

Information on 25 LAC operation by January 1, 2006

	number of cases	in the interests of	resolved positively	in the interests of	seminars	attendance	village rades	rent	written application	villagers / shares	area	inheritance	area	farming enterprises	subsidiary farm
Cherniviv	697	11435	660	15576	361	13648	402	163582	299	4	21,36	138	647,7	2	34
Kherson	661	8092	635	5239	370	13282	298	565440	117	9	39,7	60	437,4	3	3
Teropil	809	20731	781	21493	240	14745	211	4280	104	21000	42000	240	480	5	1800
Vinnitsja	802	73293	770	63197	321	15323	351	302400	161	44059	110147	162	405	17	33
Rivne	790	5801	752	5036	322	12273	293	27451	102	12	28,33	6	16,99		
Zhytomyr	789	2405	720	2341	299	9917	589	31046	166	47	183,75	16	54,68	1	2
Chernivtsi	524	3269	494	1872	234	12706	159	26025	114	6	16,14	4	7,06		
Lviv	1050	2479	906	1455	241	6835	377	27791	179	56	100,63	12	23,49		
Sunny	725	9570	572	6998	318	9330	318	66970	151	6					
Odessa	291	10360	219	8198	247	6220	255	100303	89	2	7,88	14	65,08		3
Kharkiv	973	2077	769	1548	149	4965	177	101530	171	67	344,01	2	8,5		
Poltava	302	2794	207	2383	215	6042	195	27524	226	3	19,52	14	50,86		
Khmelnytsk	288	1635	202	1290	173	4370	157	4530	97	3	8,33	2	4,06		2
Transcarpathian	240	524	63	224	181	5328	164	16334	38	4	5,6	6	4,77		1
Volyn	320	1992	257	1462	206	6201	206	779	45						
Mykolaiv	143	459	131	230	160	3097	149	3375	58	6	55,58	2	6,62		
Luhansk	136	723	75	136	149	3202	147	4360	57	3	22,06	1	7,14		4
Kyiv	296	2370	145	1979	163	3960	124	600	164	2	6,59	4	12,85		
Chekasj	104	803	54	54	136	3425	136	1500	19			2	5,75		
Kyrovograd	195	1498	56	212	123	3485	105	1500	63	14	28	39	217,1		1
Zaporizhja	206	206	149	149	142	3034	165	7092	165						
Dnipropetrovsk	315	1381	237	612	138	3007	139	98319	79	1	7,08	17	104,82		
Donetsk	195	201	174	176	129	3407	126		44						5
Ivano-Frankivsk	69	15175	45	10728	148	3692	119	17600	25	25	32,5	7	7,19	1	
Crimea Autonomy	343	1363	58	1028	105	2073	91	25460	38			4	17,2		
	11263	180626	9131	153616	5270	173677	5453	1626791	2771	65329	153074,1	772	2584	29	1888

### Report on the outcome of meetings and seminars:

Reported period (December)			entire period	
oblast	Number of seminars	Attendance	Number of seminars	Attendance
Chernihiv	12	322	361	13648
Kherson	10	317	370	13292
Ternopil	13	577	240	14745
Vinnitsja	7	425	321	15323
Rivne	12	310	322	12273
Zhytomyr	15	382	299	9917
Chernivtsi	10	600	234	12706
Lviv	14	280	241	6835
Sumy	12	233	318	9330
Odessa	12	328	247	6220
Kharkiv	7	196	149	4965
Poltava	14	677	215	6042
Khmelnysk	13	285	173	4370
Transcarpathian	15	291	181	5328
Volyn	12	371	206	6201
Mykolaiv	18	424	160	3097
Luhansk	12	244	149	3202
Kyiv	15	373	163	3960
Cherkasy	15	418	136	3425
Kyrovograd	14	522	123	3485
Zaporizhja	12	328	142	3034
Dnipropetrovsk	15	296	138	3007
Donetsk	12	253	129	3407
Ivano-Frankivsk	12	221	148	3692
Crimea Autonomy	9	280	105	2073
	312	8953	5270	173577

\* In November 2005 Crimea LAC was applied by:  
Russians – 157 persons (35.4% of the total number of applications)  
Ukrainians – 194 persons (43.8% of the total number of applications)  
Tatars – 90 persons (20.3% of the total number of applications).

Clearly, the number of people requesting and receiving information, legal aid assistance and the tangible benefits people receive from this assistance continues to grow at a high rate as awareness and extension of ULTI project legal aid services grows.

In preparation for opening of the NGO and commencement of independent fund raising via charging of fees for services the Chernivtsi LAC conducted research to assess costs of legal

services and willingness/ability of urban population to pay for legal services.

Results of Chernivtsi test market research concerning price of chargeable services .

The research was focused on examining cost of legal services in the sphere of civil, family and revenue law in Chernivtsi city. The obtained data is expected to form basis for determining cost of legal services in the future.

Research tools:

The research used two methods:

1. Questioning potential recipients of legal aid;
2. Questioning lawyers and attorneys of attorney firms in Chernivtsi city.

Those methods were selected because they ensure high rate of feedback, minimum interviewer's influence on the interviewees, and good control over forming respondent groups.

Research objectives:

- Establish cost of an oral consultation satisfactory for citizens;
- Establish cost of a written consultation;
- Establish cost of applying to state authorities in the interests of a citizen;
- Establish cost of protecting citizen's interests in court.

Methodology

The questioning took place in Nov 20 – 22. The questionnaire contained 8 questions.

The questionnaire contents may be split into the following logical parts:

1. Questions concerning attitude to lawyers and legal aid;
2. Questions concerning cost of certain types of legal services such as:
  - oral consultation;
  - written consultation;
  - applying to state authorities in citizen's interests;
  - protecting citizens' interests in court.
3. Information on the recipient:
  - age;
  - total monthly income.

Extracts

The questioning embraced 40 persons. Besides, 10 attorneys were questioned in order to estimate real cost of legal services.

20% of the interviewees are 21-30 years old, 25% - 31-40 years old, 30 % - 41-50 years old, 25% - over 50 years old.

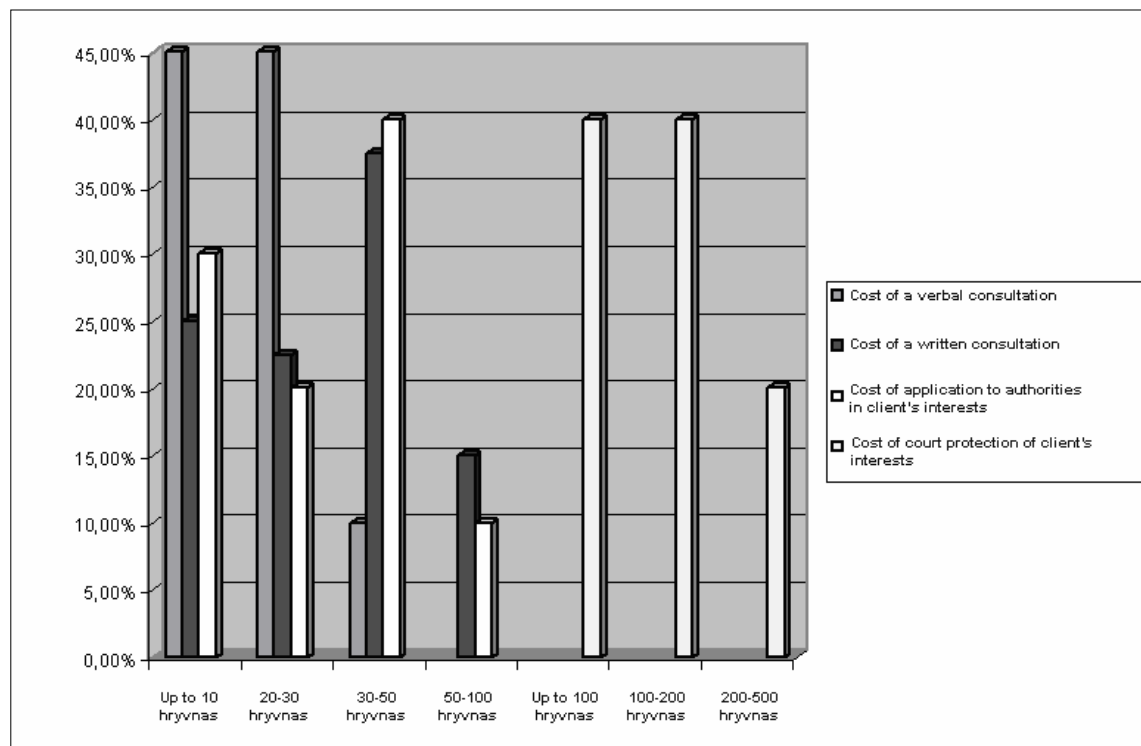
Age	Number	%
21-30	8	20
31-40	10	25
41-50	12	30
Over 50	10	25

What regards total monthly revenue, 37.5% of the interviewees have 300-500 hryvnas, 37.5% - 500-800 hryvnas, 17.5 % - less than 300 hryvnas, 7.5% - more than 800 hryvnas.

Research results are presented in the following tables and diagrams. The tables show the results of statistical analysis of the obtained data.

#### Survey results:

	Less than 10 hryvnas	20-30 hryvnas	30-50 hryvnas	50-100 hryvnas	Less than 100 hryvnas	100-200 hryvnas	200-500 hryvnas
Cost of an oral consultation	45,00%	45,00%	10,00%				
Cost of a written consultation	25,00%	22,50%	37,50%	15,00%			
Cost of applying to state authorities in the interests of a client	30,00%	20,00%	40,00%	10,00%			
Cost of protecting clients' interests in court					40,00%	40,00%	20,00%





It may be noted that groups of respondents with different levels of monthly revenue have also different cost indexes:

- Respondents with monthly revenue of 300-500 hryvnas suggested cost of a verbal consultation to be 10-30 hryvnas, a written consultation – 10-50 hryvnas, application to state authorities - 10-50 hryvnas, protection of clients' interests in court – 100-200 hryvnas.
- Respondents with monthly revenue less than 300 hryvnas suggested cost of a verbal consultation to be 10-20 hryvnas, a written consultation – 10-30 hryvnas, application to state authorities - 10-30 hryvnas, protection of clients' interests in court – 100-200 hryvnas.

Questioning of the attorneys showed that cost of a verbal consultation varies from 20 to 50 hryvnas and more in different attorney firms (depending on the complexity of a client's case and a scope of attorney's work in clients' interests), written attorney's consultation costs 100 hryvnas and more (depending on the complexity of a client's case and a scope of attorney's work in clients' interests). Composing of an application or an agreement by an attorney costs 300-500 hryvnas and more, protecting clients' interests in court – 300 hryvnas and more, plus 50 hryvnas for each day of work.

The lawyers also noted that client's financial position and ability to pay for services in full was crucial for estimating service cost. Therefore, actually attorneys provide legal verbal consultations for 10-20 hryvnas, and written consultations for up to 100 hryvnas. Composing applications (depending on their complexity) may sometimes cost up to 300 hryvnas.

## **Conclusions:**

This research suggests the following conclusions:

With regard to oral consultation cost, 45% of the respondents answered that they would be satisfied with up to 10 hryvnas (most of them are 41-50 years and elder), 45% of the respondents would be satisfied with 20-30 hryvnas (most of them are 31-40 years old). The rest 10% are ready to pay up to 50 hryvnas for an oral consultation.

With regard to written consultation cost, 60% of the respondents answered that they would be satisfied with 20-50 hryvnas (most of them are 31-40 years old and younger), 25% would be satisfied with the sum of up to 10 hryvnas (most of them are 41-50 and elder). And only 15% of the respondents are ready to pay up to 100 hryvnas for a written consultation.

With regard to cost of applying to state authorities and local self-governing bodies, 60% of the respondents answered that they would be satisfied with 20-50 hryvnas (most of them are 31-40 years old and younger), 30% would be satisfied with up to 10 hryvnas (most of them are 41-50 years and elder). And 10% of the respondents are ready to pay for the aforementioned legal services up to 100 hryvnas.

With regard to cost of protecting clients' interests in court, 40% of the respondents answered that they would be satisfied with 100-200 hryvnas (most of them are 31-40 years old and younger), 40% would be satisfied with up to 100 hryvnas (most of them are 41-50 years and elder). And 20% of the respondents are ready to pay up to 500 hryvnas.

In close synchronization with ULTI's expansion of legal aid services in all 25 oblasts, ULTI's public information and education team also organizes and executes an expanded program of national and oblast level radio and television programs, an out reach program of direct village visits and seminars conducted by information distribution specialists and legal aid teams, regular newspaper and magazine publications and periodic press conferences and policy forums for land market officials and stakeholders. These efforts also assure access to accurate information for rural citizens and local officials to learn and to protect citizens' rights in the course of land privatization and land titling whether or not the titling work is financed and supported directly by ULTI. In addition to regular radio and TV broadcasts, this last month the public education team organized and conducted the delimitation law introduction conference in Kiev with the Ukrainian Association of Cities and deputy Mission Director Hilliard, published and distributed ULTI's 6th magazine issue on land ownership rights to over 28,000 local and national officials and market participants in all 25 oblasts in Ukraine and prepared the next edition of 300,000 copies of the ULTI land rights newspaper for printing and distribution to all 12,500 villages in Ukraine.

## **WORLD BANK CADASTRAL PROJECT DEVELOPMENTS**

After 20 months, no State Acts have been issued in the WB rural land titling project.

ULTI has now fully implemented, tested and proven its new, combined land titling and legal aid service methodologies but must cease offering further subcontracting for this work due to current funding limits. The new methodologies are being used in Poltava, Vinnitsa, Khemilnitski, Ternopil, Ivano Frankivsk, Transcarpathia, Kiev, Volyn and now Crimea oblasts.

The new methodologies enable rapid completion of SA issuance at less than \$3.00 per land share for agricultural land share holders who previously began, but were unable to complete, land titling at their own expense under high cost DereshKomZem controlled contracts. To date, ULTI has subcontracted about 5% of an estimated 2,000,000 such land share holders. All these remaining land share holders remain excluded from funding for SA issuance under the WB rural land titling project terms of reference and thus stand little chance of receiving SAs, despite excessive payments and years of waiting.

ULTI continues to make every possible effort to engage and encourage local and DC based World Bank representatives who oversee the WB rural land titling project to assist the new GOU to re-structure the WB loan Terms of Reference in order to assure completion of all remaining rural land titles in Ukraine. The current Terms of Reference are four years old and have not been updated.

During the last four years, the situation has changed radically. The main problem is that millions of land titles were started under Dershkomzem controlled contracts at excessive cost and at villager expense but were never finished. To finish all these incomplete rural land titles, ULTI know-how, GOU leadership, USAID support and WB cadastral loan resources are all needed. In particular, the methodologies developed and implemented by ULTI need to be transferred to, and

adopted by the GOU and the WB cadastral project in the framework of updated and revised terms of reference for the WB rural land titling program. WB advisors have been fully and repeatedly informed of this situation. This month, there were further indications from both Dershkomzem and the first WB cadastral project subcontractor they may finally be responding to our longstanding offer of assistance to update and restructure the scope of work for the rural land titling project.

One of the two existing WB rural land titling subcontractors, Blom, reported that Odessa oblast declined to participate in the WB project to finish land titling in 100 remaining Odessa villages. Blom also reported that so far it has only one field survey team working in Vinnitsa and has completed a handful of village land surveys in a scope of work including over 220 villages. Blom also requested ULTI provided land titling methodologies for organizing and finishing incomplete land titling. ULTI provided the materials to Blom while initiating a process that may lead to an experimental subcontract between Blom and the proposed legal aid NGO for unfinished land titling in Vinnitsa oblast. The other existing WB subcontractor, Marmanet, reported no land titling work started or finished in Chernigi, Kiev or Cherkasy oblasts. These are the only two subcontracts in effect in the WB program.

Unfortunately, the Director of the Project Implementation Unit at Dershkomzem that oversees the WB rural land titling project reported that 80% of the WB's \$85 million in rural land titling funds would not be used for more land titling at the last working group meeting with ULTI experts at Dershkomzem in the first week in December. In a more hopeful development, the WB subcontractor Blom also reported that a new tender for the next oblasts included in WB land titling subcontract is scheduled January 11, 2006 and that the scope of work is supposed to be partially modified to allow some flexibility to add incomplete land titling work on a raion by raion basis. Blom provided ULTI a copy of the new tender documents and ULTI will review them in next month's report. If true, this is the first instance of concrete action on the part of the WB consultants to correct the defects in the WB rural land titling Terms of Reference in order to assure 100% completion of State Act issuance to all rural land owners as promised in the WB tender loan documents.

Based on Presidential Decree #675 and new Presidential Order #1-1 / 539 of June 17, 2005 to complete all State Act issuance in the agricultural land reform by 2006, the Academy of Agrarian Sciences and the Ministry of Economy submitted a request to USAID to extend and expand ULTI rural land titling technical assistance so the GOU can carry out the presidential directive for 2 million more rural households. Many of these households did not receive land shares (e.g. Crimean Tatars) or started but did not finish land titling at their own expense (SE oblasts) or received land allocations without legal documentation confirming ownership of their plots (western oblasts). While there are proven ULTI methodologies to complete all of these problematic cases, there are no state budget resources available to complete this problematic land titling work, leaving villagers to fend for themselves. A similar request for 550,000 SAs was made by the Prime Minister of Crimea to USAID this month and is also pending. The Crimea PM's request includes comprehensive settlement of the Tatar land claims based on an oblast wide roll out of the breakthrough dispute resolution methodology in ULTI's new land titling pilot program in two raions of Crimea for about 11,000 land owners.

**C. Bosnia Fostering an Investment and Lender-Friendly Environment (FILE), TO #821**

*Start Date: July 29th, 2003*

*End Date: August 12, 2006*

*Amount of Task Order: \$9,943,691*

**1. Background**

Chemonics International, Inc. (Chemonics) and its subcontractors, Emerging Markets Group, Ltd. and the National Center for State Courts, were selected to implement USAID's Fostering an Investment and Lender-Friendly Environment (FILE) commercial law project. The project, which will run approximately three years, was established to address a variety of commercial law issues, including bankruptcy and collateral law, court administration, and World Trade Organization (WTO) accession. Project activities are described more fully in the related Task Order (TO) and in FILE's previously submitted workplans.

In June 2005, USAID and Chemonics executed a Task Order Modification that, among other things, formally deleted the WTO component from the TO in its entirety and required FILE to complete all work under the collateral law component by June 30, 2005 and adjust project staffing accordingly. FILE's work is now focused on bankruptcy (Component One) and court administration (Component Two), and this report reflects only activities from those two project components.

The lack of investments and long-term lending is impeding the growth of the private sector in Bosnia and Herzegovina (BiH). It also impedes the country's recovery from the war and transition from a command to a market economy. FILE's bankruptcy component is designed to make the bankruptcy and liquidation laws and procedures work by providing training and resource materials to relevant stakeholders (including judges, trustees, lawyers and appraisers), and by shepherding a number of pilot bankruptcy cases through the judicial process. Its court administration component is designed to streamline the ability of BiH courts to adjudicate commercial cases in a timely, predictable, and efficient manner by improving caseload management and providing case management software.

Each of the following sections corresponds to a TO component. Within each section, FILE describes the specific activities undertaken and accomplished during the reporting period.

**2. Component One: Bankruptcy Law**

**A. Introduction**

Following the successful completion of Unis Tadv's reorganization and of FILE's training program for bankruptcy trustees, FILE continued to provide technical assistance to bankruptcy practitioners, including extensive support on numerous, ongoing bankruptcy cases. The first reorganization plan in BiH was confirmed on appeal in the Unis Tadv case, and the FILE team provided assistance in drafting the trustee's final report and amending the reorganization plan to

register the new legal entity after the closing of the case. New rules on public auction, drafted by the bankruptcy team, were successfully applied in the Livnica liquidation case and FILE helped develop a plan for the partial distribution of auction proceeds. In addition, at the request of local counterparts, FILE also helped draft several reorganization plans and participated in various meetings and roundtables relating to bankruptcy implementation in particular cases.

At the same time, the bankruptcy team continued to develop and deliver training programs and resource materials to bankruptcy practitioners. A summary of FILE's training, resource material development, and pilot case activities follows.

## B. Training Activities

During the quarter, the bankruptcy team conducted numerous training conferences and roundtables, including sessions related to bankruptcy's legislative framework, models for reorganization, principles of bankruptcy, and labor issues.

Having trained judges on reorganization issues in September, the bankruptcy team provided parallel training for trustees in October 2005. Training sessions were held in Sarajevo, Tuzla, Banja Luka, and Doboj on October 19th, 20th, 26th, and 27th, respectively, with a total of 106 trustees participating in the sessions. Mr. Howard Sumka, USAID Mission Director, and Ms. Biljana Maric, Director of the RS Judicial Training Center (JTC), welcomed participants at the Banja Luka session and provided introductory remarks.

Topics of discussion at the training sessions included: the legal framework for reorganization; models and methods for reorganizing a bankruptcy debtor; practices and procedures for drafting a reorganization plan; and issues relating to confirmation and dismissal. In addition to instruction by FILE staff, the trainings featured a lively dialogue between trustees on practical issues arising during the drafting of a reorganization plan.

The bankruptcy team also conducted a day long hands-on training for all three Mostar bankruptcy judges, reviewing six cases and suggesting solutions to problematic issues raised by the judges. In addition, FILE organized a roundtable for trustees and trade unions, to address common labor issues arising in bankruptcy. After much discussion, the parties agreed to develop a strategy to make procedures more efficient, especially with regards to trustees' communication with workers affected by bankruptcy. Their first meeting is scheduled for January 2006.

During December, FILE conducted a series of seminars and roundtables aimed at educating future attorneys and commercial law practitioners on bankruptcy practice. In this regard, FILE provided lectures to law students at Sarajevo and Banja Luka universities, and conducted a seminar on bankruptcy for Sarajevo Law School graduate students specializing in commercial and business law. The bankruptcy team also began working with professors from the Sarajevo and Banja Luka law and economic faculties to develop improved bankruptcy curricula.

Similarly, FILE established a working relationship with an Austrian law firm with offices in Sarajevo, pursuant to which FILE's bankruptcy team provides the firm's legal interns with

training on the principles of bankruptcy, with emphasis on the application of the BiH's bankruptcy laws. This ongoing relationship is designed to increase knowledge of and interest in bankruptcy among younger practicing attorneys.

### C. Resource Materials

Over the past two years, FILE has designed and delivered various training programs and resource materials to its local partners, in its effort to further develop the competency and efficiency of bankruptcy professionals. FILE's efforts have been, and continue to be, well-received.

FILE has also worked to identify a local institution with the potential and capacity to continue training activities over the long term. In this regard, FILE conducted all of its judicial bankruptcy training programs in conjunction with the JTCs, in order to centralize and institutionalize the trainings and pave the way for their eventual transfer to the JTCs.

To ensure the effective dissemination of and reliable access to its training and resource materials, and to augment the JTCs' ability to continue training activities after FILE's closing, FILE and the JTCs agreed that all training and resource materials would be posted on the JTCs website. The website, jointly developed by the JTCs and UNDP, was officially unveiled on December 1, 2005. FILE's resources for trustees will be available to all users on the website's "public pages," while materials designed for judges will likely have password-restricted access. In addition, the materials will be posted on the High Judicial and Prosecutorial Council (HJPC) website, thereby becoming available to an even broader market.

In addition, the bankruptcy team updated, finalized and published several resource materials and other deliverables during the reporting period, including: the second edition of the Judges' Benchbook; the second edition of Trustees' Manual; the second edition of the Bilingual Version of the Bankruptcy Law; a Final List of Proposed Amendments to the Bankruptcy Law and Related Laws; a Modified Version of the Bankruptcy Restructuring Model; and bankruptcy brochures for company management, creditors and trade unions.

### D. Pilot Bankruptcy Cases and Interventions

1. Unis Tadv. The reorganization of Unis Tadv, which manufactures nuts and bolts for export to European auto makers, demonstrates how bankruptcy can help solve the economic problems confronting BiH (e.g., unemployment, external current accounts deficit, mounting liabilities for social costs, etc.). For the first time in three years, workers started receiving and spending their paychecks, and 160 jobs are guaranteed for five years, directly impacting unemployment issues in Konjic. The company's production – entirely for export, which helps the current accounts deficit – was increased 30%. Finally, bankruptcy completely and affordably resolved the workers' claims for back wages and social benefits, which were exchanged for 67% ownership of the company.

The Unis Tadv case represents the most successful demonstration to date of bankruptcy reorganization's power to salvage productive assets, improve efficiency, save jobs, and help to revitalize local communities, all in the course of privatizing a state-owned enterprise. Based on the experience and lessons learned from Tadv, FILE has derived, assessed, and formulated approximately forty model solutions, sixteen of which have already arisen in eleven other bankruptcy cases. This valuable experience helps bankruptcy trustees and judges to recognize situations and issues and to apply ready-made and replicable model solutions (tested responses), thereby saving considerable time and significantly improving the efficiency of bankruptcy proceedings in BiH.

On July 26, 2005, three appeals were lodged against the decision on confirmation of the plan. In early October, a panel of three appellate judges rejected all appeals, effectively removing the final barrier to successful reorganization and delivering the case back to the Municipal Court for closing procedures.

The bankruptcy team met several times with company management, representatives of its trade unions, investors, and creditors to discuss issues related to the establishment of the new Unis Tadv company upon implementation of the reorganization plan. In December, the new Unis Tadv company, which will take over all assets of the bankrupt Tadv company, was established and its registration papers filed with the court. The closing hearing will be held in early February 2006, after submission of the trustee's final report.

2. Livnica. Livnica, an iron casting facility from Sarajevo, is a pilot liquidation case. Common BiH practice in the liquidation process is to use the public auction procedures mandated by BiH's enforcement laws. This three-auction procedure encourages collusive bidding, discourages attendance by serious bidders, and often results in the sale of valuable assets for far less than they are worth.

FILE's bankruptcy team convinced Livnica's trustee and creditors to use the flexibility offered by the bankruptcy law to design new procedures that prevent collusive bidding to sell Livnica's assets, which have been appraised at 10 million KM. These new rules for bankruptcy auctions were tested on October 1, 2005, with very favorable results of two lots of Livnica's property being sold for 66% above the appraised value. The two buyers plan to utilize their newly acquired property to expand existing business operations, thereby creating more employment opportunities in the local community. The proceeds from sale of the first two lots will cover 23% of approved claims of creditors.

The third lot, appraised at 604,000 KM, had no interested buyers. The success of the October sale provoked the interest of a consortium of local companies led by "Unipromet" d.d, Sarajevo, to reorganize the core business (the casting facility) of Livnica. The consortium asked for an extra month and a half to perform due diligence, but the trustee and board of creditors decided not to cancel the auction for the core business and instead planned a two stage public sale (collection of bids in closed envelopes, followed by a public auction). The consortium of investors was invited to participate in the public sale. The bankruptcy team developed the rules for public bidding and, at the end of November, these rules were presented to the bankruptcy

trustee, judge and board of creditors. Tender was published in newspapers in December and the auction for the remaining part of Livnica will take place on January 21, 2006.

The innovations developed by FILE to address disadvantages of the auction procedures under the enforcement law included a requirement of 10% deposit to bid, which was nonrefundable if the bidder failed to go through with the purchase, and starting the auction at the appraised value and then raising the price in small increments for as long as more than one party agreed to that price.

Another innovation was to work with the municipality to determine the status of the property. In most cases, buyers are left to their own devices and bear the entire risk. With assistance from FILE, the trustee approached the municipality and received a copy of the municipal plan that showed permitted, uses as well as a letter from the municipality clearly stating that it considered the land as owned by Livnica. This information was provided to bidders in advance of the auction. Reducing risk to the buyers increased the value of the property.

This example demonstrates that properly developed rules for bidding could attract the interest of more buyers and investors, even in situations where liquidation is more likely than reorganization.

3.     Alatnica. Previously, Alatnica's trustee drafted a reorganization plan "in the alternative," taking into account two different offers for Alatnica's property, and asked FILE to review and comment on the plan. After the bankruptcy team pointed out that the law, while not explicitly prohibiting plans in the alternative, seemed to contemplate a single plan, the trustee reconsidered and, with FILE's assistance, redrafted the plan.

In September 2005, Alatnica's trustee submitted a revised reorganization plan that would allow the employees, as new owners of the company, to sell part or all of the assets (or their shares) to interested parties after plan confirmation. The plan underwent several revisions since then, and was finally submitted to the court on November 15th. The court sent the plan to creditors, the Chamber of Commerce and the Ministry of Industry for their comments and revisions. In mid-December, after intensive discussion between the trustee and creditors, a reorganization plan that provides workers with co-ownership of the company was approved. Of the 44 workers considered in the plan (prior to bankruptcy proceedings, there were 75 workers), 29 will continue working in the reorganized company and 15 will begin working for a company that will buy a part of the production facility for 766,000 KM. Creditors will be paid 64% of their claims from the proceeds and the remainder of their claims will be converted into shares. The only exception is workers who will keep their jobs, whose claims for unpaid salaries will be paid through shares.

The biggest obstacle to the reorganization plan was the request by the Pension Fund, Alatnica's biggest creditor, to be paid in cash. After the hearing, the bankruptcy judge commented to a journalist, "Does the Pension Fund want to have operating companies that are able to pay pension contributions, or is that not their goal?"

4.     Energoinvest. The experience of Energoinvest, a producer of low-voltage products in Doboj, demonstrates the importance of accurate appraisals in helping creditors decide correctly



whether liquidation or reorganization best serves their interests. Energoinvest's creditors first voted to liquidate the debtor, based on a flawed appraisal of 8.6 million KM that led them to expect that their 4.4 million KM in approved claims could be repaid in full by selling the assets. Creditors reversed course, choosing reorganization, when an accurate appraisal by FILE-trained appraisers showed the liquidation value of the assets was actually only 1.2 million KM.

FILE also assisted the trustee, judge and creditors in formulating a reorganization strategy. On September 22, 2005, the reorganization plan was completed and delivered to Doboj Basic Court. Copies of the plan were also distributed to the debtor, Chamber of Commerce, Ministry of Economy, and Board of Creditors. Both the Ministry and Chamber of Commerce responded positively to the proposed plan, and the Board of Creditors considered the proposal in early November.

On December 21, 2005, a majority of creditors voted to accept the reorganization plan, which contemplates satisfying all workers' claims from the general payment rank through shares in a new company, with workers becoming the sole equity holders. The confirmation hearing is scheduled for January 4, 2006.

5. Maglic; Stakorina. Two FILE-trained trustees working on bankruptcy cases pending at the Trebinje Basic Court requested technical assistance on reorganization cases they were administering in October. The first case involved Maglic Holding, once the biggest wood processing conglomerate in Eastern Herzegovina, and nine of its specialized subsidiaries, which were also in bankruptcy.

The second case involved Stakorina, a producer of solid wood furniture. The company was organized into five units: a saw mill and initial processing facility; a final wood processing center; a parquet manufacturing unit; a furniture unit; and an auto-depot and machinery and equipment maintenance center.

In consultations with FILE, the trustees realized that these companies complement each other, and create synergies that enhance the current value of the bankruptcy estate of each company. They agreed to test the interest of foreign investors in purchasing the two companies as a package, since the sale of both as a combined wood processing and manufacturing complex could create the highest value for creditors of both companies.

This creative approach was rewarded by a conditional offer from a Swedish company, Plena, to buy both companies in bankruptcy for 5.3 - 6.8 million KM, invest an additional 5.5 - 8 million to upgrade facilities, and employ 300 workers. Plena requested a long-term, fixed price supply contract, although this term was negotiable.

FILE discussed the request for technical assistance in the reorganizations of Maglic and Stakornia with USAID due to potential inconsistency with USAID's market and pricing strategies and its Cluster Competitiveness Activity (CCA). Due to U.S. Government restrictions on working with Republika Srpska wood industry, the bankruptcy team ceased in November all activities relating to these bankruptcy cases.

Meanwhile, negotiations between the Swedish company Plena and the RS government continued, with no major breakthrough being reported by the trustee. Hearings on the reorganization plan of four Maglic companies took place in mid-November, and the bankruptcy trustee suggested a public tender for all four companies due to interest from two international investors: the Italian Arena group and the Swedish Plena group. The proposal was not accepted by the majority of creditors, so a new reorganization plan was proposed.

In December, while gathering data from Trebinje's Basic Court, FILE learned that the voting hearing on the plan for four of Maglic's companies was held on December 14th and that creditors accepted the plan. Discussion hearings for the other six Maglic companies were held on December 26th. More information on the outcome of these hearings will be obtained in January 2006.

6. Majevisa. Majevisa is snack foods company that has continued operations since the opening of bankruptcy proceedings. The bankruptcy team helped the trustee and the majority shareholder of Majevisa develop a joint strategy for reorganization. The shareholder subsequently sold his shares to "Bingo," a trade company from Tuzla, for 1.2 million KM, due to his inability to eliminate the holdings of minority shareholders (that hold 47% of Majevisa) who constantly opposed his decisions.

Bingo, however, expressed continued interest in reorganizing the debtor. At a meeting held on October 19, 2005, the parties agreed that two reorganization plans would be submitted to the court – one by the debtor and one by the trustee. In November, the bankruptcy team, the trustee, and the main shareholder developed a plan of reorganization that would pay 60% of creditor claims and keep the company operational. Two options were offered regarding the sale of property that was unnecessary for continued operations: 1) to sell it within bankruptcy, before voting on the plan of reorganization; or 2) to authorize the debtor to sell the property after adoption of the plan and closure of the bankruptcy procedure. On November 16th, the Creditors Committee chose to sell the extra property within bankruptcy, after which it would vote on the plan. As a consequence, voting on the plan was postponed by at least 6 months - the time required to sell the property and distribute proceeds.

7. Robne Kuce. Robne Kuce is a reorganization case involving a trade company with eight department stores in Sarajevo. FILE assisted the trustee in drafting the reorganization plan, ensuring that it addressed key issues relating to supervision of the plan's implementation, e.g., appointing a management board, creating operating documents, establishing restrictions on and responsibilities for certain extraordinary transactions, establishing security measures, and similar matters.

The plan was originally submitted to the court on October 11, 2005. A day after its submission, the judge asked FILE to assess whether the plan met the minimal legal requirements for processing, which FILE confirmed. In November, the judge sent the plan to creditors, the Chamber of Commerce, and Ministry of Industry for their review, and scheduled a hearing for discussion and voting on the plan on December 15th. The hearing was canceled, however, due

to a claim filed by a creditor for separate recovery. FILE advised the trustee and court to examine the underlying validity of this claim.

8. **Bosna Express.** Bosna Express is a transportation services company that is still operational, with active and profitable bus lines. The reorganization plan originally submitted to the Court in 2003 could not be realized because of unresolved property issues. Since then, the company began incurring losses due to the trustee's hiring more workers than necessary for business operations.

Following the failure of the reorganization plan, the trustee organized a tender to sell the company. Three bids were received, and the trustee asked FILE for assistance in resolving issues relating to the bids. After an initial review of the bidders' documentation, FILE discovered an error in the criteria used to determine the best offer, and agreed to assist the judge and trustee in resolving the error.

The trustee and judge announced the failure of the tender at a December 15th hearing, and the judge asked FILE to outline alternatives for improved selling procedures. The bankruptcy team suggested that the trustee discuss company prospects for both liquidation and reorganization at a new General Assembly of creditors, which will be held on January 12, 2006.

#### E. Other

1. **Formalized Model Solutions.** On May 31, 2005, FILE submitted a comprehensive set of Hypothetical Model Solutions relating to the implementation of the Federation and RS bankruptcy laws. These model solutions provided recommended procedures for resolving recurring issues at each stage of the bankruptcy process based on lessons learned from FILE's experience in actual cases. The solutions have already been applied in at least 16 pending bankruptcy cases, and can be utilized to replicate successes achieved in FILE's pilot bankruptcy cases.

On October 15, 2005, FILE submitted a report restating the model solutions and supplementing them with additional solutions developed in conjunction with FILE's local partners during the intervening months. As before, these model solutions will help key practitioners and participants in BiH's bankruptcy system to build confidence and participate directly in the implementation of the system. This material may be used as a learning tool addressed to a wider audience because the identified issues and solutions contain straightforward explanations and references to the law that will help a public audience to learn more about overcoming obstacles in bankruptcy proceedings and be better informed about the possibilities for resolving day-to-day difficulties faced in the application of the bankruptcy system.

2. **Bankruptcy Data Collection.** The bankruptcy team undertook data collection and reviewed all bankruptcy cases filed in Doboj, Tuzla, Mostar, Trebinje, and Sarajevo. Data will be obtained from the remaining bankruptcy courts in early 2006.

3. **Bar Association.** On November 30, 2005, FILE met with the President of the Federation

Bar Association to discuss development of an education program on bankruptcy for the Federation bar. A similar meeting is being scheduled with the President of the RS Bar Association.

4. **Trustee Certification.** In December, the first group of five trustees completed the Federation's trustee certification program. The Federation's Ministry of Justice has also indicated that it will recognize trustees who have been certified in the RS. FILE anticipates that the RS will establish a similar right of reciprocity.

5. **"Embassy" Report.** At an August 2005 Embassy Rule of Law meeting, the DCM suggested that FILE prepare a memorandum for the Ambassador regarding the status of bankruptcy implementation in BiH. To meet this request, FILE fielded short-term bankruptcy expert who prepared a summary report detailing bankruptcy's power to unleash frozen productive capacity, providing an overview of FILE's bankruptcy component and technical achievements to date, identifying remaining obstacles to an effective bankruptcy regime, and providing recommendations for increasing bankruptcy impacts. The report supplements an executive summary describing, among other things, how USAID and the Embassy can jointly address certain cultural and political constraints to establishing a healthy bankruptcy regime. The report and executive summary were reviewed by USAID in September, and the executive summary was submitted to the Embassy in early October 2005.

6. **RS Efforts to Amend Bankruptcy Law.** The RS government formed a working group to develop amendments to the RS bankruptcy law and scheduled a roundtable discussion on October 4, 2005. FILE attended the session to encourage appropriate amendments and otherwise monitor developments.

The main purpose of the roundtable was to enlist judges and trustees to assist the four-member working group in drafting amendments to the RS bankruptcy law based on proposals made by the RS government, as well as to learn more about experiences in implementing the law. During discussions, FILE advised against systemic changes to the law and highlighted the need to include representatives of the banking sector and business community in the ongoing dialogue. FILE also noted that the creation of a code of ethics for trustees should be considered.

All proposals submitted by the RS government related to the role, work and compensation of trustees. The participants agreed that regulating trustee compensation was a priority issue, as were other items necessary to establish a true trustee profession.

By the end of October, there were no other significant activities by the working group. Mr. Nikola Kovacevic of the Ministry of Justice was reportedly drafting the text of amendments for certain articles of the law. The other three members of the working group have not been actively involved in this activity.

### **3. Component Three: Court Administration**

#### **A. Development of Case Management Software**

FILE's court administration activities include developing case management software (CMS) for the courts. CMS will provide the courts with a set of tools significantly enhancing the efficiency of case processing operations. In particular, CMS can accept and register cases, assign judges, docket events, and maintain a log of upcoming events. For the first time, courts will have a systematic way to monitor the progress of each case, event by event, and to ensure that cases will move forward on schedule and not get unnecessarily delayed or "lost" in the system.

CMS helps to eliminate duplicate cases through its ability to search records and collate information. With current backlogs in some courts, there are multiple filings by a plaintiff against the same defendant over several years, a problem that can be eliminated through CMS data processing. Moreover, CMS enables courts to schedule hearings and enforcement actions more effectively. It can be used to identify small claims and schedule them for "bundled" hearings, allowing a judge to dispose of large quantities of these claims – which are usually uncontested – in a single hearing. Service, hearing dates, and even appeal dates can be better organized to reduce the amount of resources currently needed to address these claims.

The CMS is a modular, event-driven application designed to meet the needs of BiH's courts. Modules 1 (case opening functions), 2 (scheduling and tracking of events, documents and tasks, and work assignment functions), and 9 (case closing functions) comprise the core engine of the CMS system, and provide the vast majority of functionality requested by the courts. Production versions of these modules were delivered in September 2005 by FILE's software development partner, PING.

Designing the CMS application required staff from FILE, the HJPC, USAID's JS DP project, and the courts to determine (1) which case events, by case type (civil, commercial, criminal, etc.), should be tracked by CMS and (2) which tasks – discrete assignments that various individuals must complete for a case to move from one event to the next – should be assigned and monitored. These efforts were critical to data compilation and CMS design, as they provided foundation for CMS functionality and efficiency. Thus, considerable effort was expended to ensure that data compilation is done correctly in the pilot courts. In this regard, court staff continues to be consulted in the process of loading and testing data tables, and feedback from the court is being used by FILE to further refine its product.

1. **Software Development.** At the beginning of the reporting period, the court administration team focused its resources on completing coding and testing of Modules 1, 2 and 9 of the CMS. Work continued on loading and testing tables relating to case processing, and on defining the events, tasks, documents, role definitions and other data necessary to launch CMS in FILE's pilot courts.

In early October, FILE met with the HJPC to show the Council how the CMS application works. In this regard, FILE provided a brief demonstration of some of the software's functionality to

show how many manual processes have been streamlined by automation and give Council members a sense of the efficiencies the software can help create. The meeting also afforded FILE the opportunity to identify some of the critical changes to case workflow that accompany the transition to automation; FILE is working closely with the JSDP project to document the workflow changes and transition from current practice, to streamlined manual processes, to automated practice. Finally, FILE enlisted the Council's support, not just for the workflow changes and automation process, but for the courts themselves, emphasizing that the courts need to know that the HJPC stands behind them and their efforts to improve practice. The demonstration and presentation were well received and follow-up meetings with Council members showed strong support for the CMS application and pilot courts.

During November, the court administration team continued CMS testing and began training court staff on its use. The testing identified several issues relating to the application's technical structure, most notably CMS' ability to reliably generate various court forms utilizing information captured in the CMS database. Further testing and modifications to the application resolved this issue (a matter of compatibility between the Oracle database and Microsoft Word), as well as other technical issues.

In December, the court administration team deployed the CMS in Mostar Municipal and Konjic Municipal Courts and completed intensive classroom and one-on-one training for court staff. Judges training was also well underway in both courts, with judges in Mostar having completed classroom training and receiving hands-on training on issues of specific interest.

CMS "went live" in Mostar on a limited basis, with approximately 200 new cases being entered into the system as and when filed with the court. The system is fully functional, and all future cases filed in Mostar Municipal Court will be processed through CMS. Konjic Municipal Court will "go live" in early January 2006.

In preparation for CMS deployment, the court administration team worked with USAID's JSDP project in support of the remodeling of Konjic Municipal and Mostar Municipal Courts. Several issues arose during the remodeling of Mostar Municipal Court, including the location of power and network connections in relationship to the placement of workstations. To ensure timely software deployment, FILE installed temporary wiring measures to provide the required connectivity. These issues and measures were communicated to JSDP, which should adopt long-term solutions to the issues.

2. CMS Documentation. To maximize the benefit of, and pave the way for the transition to, CMS implementation, CMS users require adequate resource materials describing the systemic and practice changes being introduced by the CMS. In this regard, FILE and JSDP jointly developed a desk reference manual for CMS users. FILE completed its sections of the manual and submitted them to JSDP. JSDP will complete and distribute the manual in January 2006.

3. CMS Training. During November, FILE began training Mostar and Konjic Municipal Court staff on CMS installation and use. The training was conducted by a team of six trainers retained as short-term experts for this purpose. The training team was bolstered by the pro bono

services of a short-term expert who provided training and guidance to the training team, observing, critiquing and, as necessary, revising the training program to ensure that future installations are efficient and incorporate lessons learned from the pilot experience.

To conduct CMS training in Mostar Municipal Court and other courts, FILE created a “mobile classroom” with its own computer resources. The use of a mobile classroom minimizes interference with the court’s day-to-day activities and eliminates various dependencies that could otherwise slow down the installation process (e.g., dependence on the location of and access to court computers, space limitations, availability of appropriate software, etc.).

The court administration team also continued to refine its training materials for all levels of court staff. The refinements allowed FILE to complete the training of court staff in a significantly shorter period of time, and these gains should continue to be realized in future trainings (FILE fully expects, however, that certain courts/staff will require significantly more training than others). The level of existing computer skills and acceptance of change (working with automation) will be important factors in determining the amount of time required to train court staff at future courts.

4. Connectivity Issues. Although the mobile classroom has eliminated many dependencies, CMS training has been hampered by connectivity issues. The HJPC is pursuing a centralized architecture to support CMS, which requires a wide area network (WAN) that links all courts to a centralized computing capacity located at HJPC headquarters. A de-centralized architecture would require having such computing capacity within each court, with the resulting multiplier of cost, maintenance, and other support requirements.

HJPC has always envisioned that CIPS will provide the wide area network, and the HJPC and CIPS have entered into a Memorandum of Understanding pursuant to which CIPS is to provide connectivity for the courts. During the first testing of connectivity to Mostar and Konjic Municipal Courts, FILE quickly determined that there were holes in CIPS connectivity. Specifically, CIPS could not provide reliable access between the court building in Konjic and the HJPC computing facility.

To date, HJPC has been unable to effectively manage these operational issues with CIPS, leaving FILE to find its own technical solutions to provide the necessary linkages from the courts to HJPC’s facilities. For example, FILE established ADSL connections in Mostar and Konjic Municipal Courts to access CIPS. When the connection to Mostar experienced periods of slow performance in October, CIPS attributed the problem to a bad router, which it intended to replace but never did.

Given the continuing performance shortfalls, FILE necessarily re-evaluated its CMS implementation strategy for pilot and additional courts. FILE relocated computer equipment from Sarajevo to Mostar and Konjic and installed the CMS in a stand-alone server environment that is not dependent on the CIPS connection. While this is a workable solution, it has multiple impacts on CMS deployment, including significant hardware, licensing and maintenance costs. Installing a stand-alone server in each court will require in excess of \$400,000 for hardware and

initial Oracle licenses, and ongoing maintenance and recurring operating costs will likely exceed \$50,000 per year. If and when CIPS can establish a reliable connection to the courts and a decision is made to again pursue a centralized database, there may be significant costs associated with transferring data from local servers to the central server.

The ability to leverage work between courts is also restricted in a stand-alone environment. In a centralized database environment, updates to data tables can be entered once and made available to all automated courts. In a stand-alone environment, the changes have to be implemented separately in each court. As a result, the HJPC's ability to produce management statistics and reports could be compromised – it would require data to be submitted from each individual court and then compiled into consolidated reports.

Detailed discussions with CIPS management confirmed that while the physical network components exist to deliver CMS through the WAN, certain portions of the network are either overburdened by existing application traffic, subject to frequent failure, or inoperative. FILE and ICITAP will continue to work with HJPC to evaluate long-term network options for delivering CMS to the courts via a WAN, but for now a local server strategy will be pursued. This decision has long range implications for CMS and for HJPC and will be revisited at the end of the pilot court implementations.

5. IT Assistance to HJPC. Effective roll-out of CMS requires knowledge and management of, and communication about, the introduction of technology to the courts and resulting changes in court practice. Similarly, effective maintenance of the CMS system requires a long-term information technology (IT) strategy that addresses issues such as planning, software development, IT infrastructure management, end-user help desk support, and operational readiness.

As the future “caretaker” of the CMS application, the HJPC needs to have an IT strategy in place immediately. At HJPC's request, FILE fielded a pro bono IT expert to assist the HJPC in developing its strategy and provide training on how to execute the strategy and manage change to support future needs. The expert's findings identified the tactical delivery weaknesses of HJPC's IT team and outlined recommendations for correcting those weaknesses. While HJPC's IT staff greeted the report with skepticism, HJPC council members and Secretariat staff agreed with FILE's assessment and asked that FILE provide IT management assistance. FILE and USAID have taken this request under advisement.

6. CMS Data Capture. The court administration team continued to support select courts in capturing backlog data using FILE's data capture software. During October, a project was begun in Konjic Municipal and Mostar Municipal Courts to capture all active cases in preparation for the launch of CMS. Two law volunteers in Konjic and three in Mostar were hired to augment efforts of court staff in capturing relevant data. By the end of November, Konjic Municipal Court had captured data relating to its entire case load (5,616 cases) and Mostar Municipal Court had captured data on over 18,000 cases (estimated to be 60% of the active case load). Captured data includes the case number, parties, assigned judge, claims, amounts in dispute, and current case status.



7. Creation of Enforcement “Auction Center”. Seizure, transportation and storage of seized assets are problematic. The enforcement divisions of BiH’s courts typically do not have enough room to warehouse seized property. As a result, they identify property to be sold, but leave it at the premises of the debtor. It is very difficult to sell assets on the premises of the debtor, so the lack of storage space lowers the recovery, while also raising costs and complications by having auctions at numerous locations.

In response to this issue, FILE recommended the creation of a private sector “auction center” that can store seized goods, provide information about the goods (through internet and media publications), and hold regularly scheduled judicial auctions. By creating a single point of activity for sale of seized property in Sarajevo, the auction center will help the courts to establish a regular, predictable system of judicial auctions.

On November 8, 2005, the Bankers Association, Sarajevo Municipal Court, and FILE executed a Memorandum of Understanding pursuant to which the association and court will establish a private sector “auction center” that can store seized goods, provide information about the goods (through internet and media publications), and hold regularly scheduled judicial auctions. In December, FILE fielded a short-term expert to work with the association and court to develop an action plan for establishing and maintaining the auction center.

**D. Support to Enhance Privatization, Investment and Competitiveness in the Water Sector of the Romanian Economy (SEPIC), TO #822**

*Start Date: August 4, 2003*

*End Date: August 13, 2007*

*Amount of Task Order: \$4,455,796*

**A. PERSONNEL SUMMARY**

A1. Local Professionals

- Chief of Party and Task Leader for ANAR: Liviu Ionescu (LI)
- Task Leader for EMS/P2: Andreea Milea (AM)
- Assistant to the Task Leader for EMS/P2: Ioana Stanescu (IS)- Currently on maternity leave
- Task Leader for WATMAN: Mary-Jeanne Adler (MJA)
- Senior Technical Expert: Rodica Stefanescu (RS)
- Office Manager: Gratzia-Felicia Vascencu (GFV)
- IT Expert: Codrin Nicolau (CN)

A2. Expatriate/TCN Specialists

- EMS Senior Technical Advisor: Avrom Bendavid-Val
- WATMAN Senior Technical Advisor: Glen Anderson
- Environmental Specialist/Engineer: Phillip Brown
- Environmental Specialist/Engineer: Daene McKinney

A3. Home Office Project Management

- Project Manager: Avrom Bendavid-Val
- Deputy Project Manager: Chris Perine
- Project Administrator: Paul Turner
- Assistant Project Administrator: Ryan Flory

**B. SUMMARY OF PROGRESS, PROBLEMS AND NEXT STEPS**

Activities (alphabetical order)	Progres	Problems	Next Steps
<i>Black Sea Coastal Erosion Socio-Economic Opportunities Study</i>	<ul style="list-style-type: none"> <li>- Finalized questionnaires</li> <li>- Initiated data collection in Constanta</li> <li>- Continued Internet search</li> <li>- Selected Local Consultant - the National Institute for Research and Development in Tourism (INCDT), following a call for applications</li> </ul>	None	<ul style="list-style-type: none"> <li>- Develop and sign contract with INCDT</li> <li>- Continue data collection, then analysis</li> </ul>

<b>Activities (alphabetical order)</b>	<b>Progres</b>	<b>Problems</b>	<b>Next Steps</b>
	- Drafted SOW for INCDT		
<b><i>Cris River Basin Project Appraisal Documentation (CPAD)</i></b>	<ul style="list-style-type: none"> <li>- Finalized six feasibility studies based on the framework content issued by the Ministry of Public Finance (Order 913/2005), for water infrastructure investment in six towns in Bihor Judet and submitted them to MEWM, Bihor Prefecture, Cris Water Directorate and WB</li> <li>- Conducted a workshop with MEWM State Secretary, Mrs Lucia Varga, and Bihor authorities: Prefect, Vice-president of Judet Council and Mayors and representatives of water operators in the six targeted towns to discuss and approve the feasibility studies and the financial-economical assessment</li> <li>- Provided TA to Bihor authorities to establish the baseline for judet regionalization of water users</li> </ul>	None	<ul style="list-style-type: none"> <li>- Translate the English versions of the six feasibility studies into Romanian and submit Romanian version to MEWM, Bihor Prefecture and Judet Council, the six targeted Local Councils and Cris Water Directorate</li> <li>- Continued TA to finalize regionalization</li> <li>- Detail the work plan to include development of the feasibility studies for assessing water/wastewater infrastructure investment in the seven defined micro-regions ("second ring")</li> <li>- Conduct consultation workshop to discuss work plan with MEWM and Bihor authorities</li> <li>- Initiate development of feasibility studies in the seven micro-regions (data collection and processing)</li> </ul>
<b><i>Externalization of Non-Core ANAR Assets Study</i></b>	<ul style="list-style-type: none"> <li>- Reviewed and discussed first draft report with Subcontractor and the Project Manager</li> <li>- Incorporated comments from</li> </ul>	Report development delayed due to other priorities in	- Finalize report in Romanian and summary in English and submit it to HO and USAID for

<b>Activities (alphabetical order)</b>	<b>Progres</b>	<b>Problems</b>	<b>Next Steps</b>
	HO and Subcontractor in the drafted report - Reviewed data from the field	the FO, such as CPAD feasibility studies	review and approval - Deliver final report to ANAR - Discuss report in working meeting with ANAR
<b><i>EMS &amp; P2 Implementation and Demonstration</i></b>	- Closed-out the EMS & P2 Implementation and Demonstration activity - Conducted the EMS Wrap-up seminar. Significant pollution reductions and financial savings of \$1,700,000 reported	- None	- Periodic monitoring of future results following implementation of the EMS & P2 programs
<b><i>EMS &amp; P2 Training</i></b>	- Tentative schedule for the EMS & P2 training sessions developed - Preliminary training schedule and structure of targeted participants agreed in principle with the President of National Environmental Protection Agency	- None	- Establish preliminary agreement with the presidents of ARA and UGIR on the content and period of specific EMS & P2 training to be delivered to these particular NGOs - Develop final training schedule - Develop training baseline documentation
<b><i>EMS &amp; P2 Dissemination Through Electronic Media</i></b>	- Finalized the English version of the EMS & P2 Website	None	- Post the EMS & P2 website on ARA's website - Design the structure of the EMS & P2 training CD/DVDs
<b><i>Mayor's Manual</i></b>	- Manuals (Mayor's and Prefect's), posted on MEWM website for public consultation	None	- Will be developed if and when MEWM will request further assistance
<b><i>WATMAN</i></b>	- The Final Workshop and the practical Demo Exercise were both delivered Oct. 25-26; the	- Due to late equipment delivery,	- Draft Final Report including inputs from every member

Activities (alphabetical order)	Progres	Problems	Next Steps
	<p>Workshop was attended by almost 100 participants, while the exercise involved about 200 people; the Workshop included about 20 presentations – available on CD, while the exercise addressed all three components of the pilot activity: Decision Support System equipment and software; flood alarming system and intervention plan; equipment and intervention aspects for accidental pollution, as supported by the project procurement and sub-contracts;</p> <ul style="list-style-type: none"> <li>- Final report close to completion</li> <li>- Work plan for three new activities – FIP template, EquiTrai, and TechSpec - drafted and submitted to HO and USAID</li> <li>- Equipment delivery complete; installation and testing almost completed</li> <li>- GoR formally endorsed a \$59 mil. loan for the first phase WATMAN investment</li> <li>- Delivered the first session of the EquiTrai Seminar, Dec. 7-8; 30 attendees</li> </ul>	<p>installing and testing shall be extended in January 2006</p>	<p>of the team, both in Romanian and in English, with final revision of both versions;</p> <ul style="list-style-type: none"> <li>- Finalize installation and commissioning of equipment</li> <li>- Present final report to USAID and MEWM</li> <li>- Deliver training for equipment operation and maintenance</li> <li>- Install and commission water quality monitoring equipment</li> <li>- Finalize the full Romanian text and the English summary of the final report</li> <li>- Deliver the first EquiTrai training</li> <li>- Install and commission water quality monitoring equipment</li> <li>- Finalize the full Romanian text and the English summary of the final report</li> <li>- Prepare delivery of the second EquiTrai training</li> </ul>

## Other

- Visit from CHF representatives to discuss flood prevention activities, especially assistance by CHF for community involvement
- MJA attended a MINR and WB Seminar on monitoring systems for mining areas, where she presented the WATMAN approach;
- Meeting at ANAR: MJA for the WATMAN current and next related tasks;
- Meeting at National and Arges County Emergency Situation Inspectorate: LI/MJA/RS for preparing WATMAN Demonstration and discussed siren installing aspects and commend software design;
- Meetings at MEWM: MJA for the WATMAN current and next related tasks; AM/LI regarding CPAD and next project developments;
- MJA participated and delivered presentation at the Ecolinks event on Water and Mining in Southwest Europe
- Meeting with GM, on the work schedule for currently planned activities;
- MJA met with several equipment vendors, interested in WATMAN investment implementation
- LI/AM met with Secretary of State in MEWM to discuss further CPAD activities .

## C. IMPACTS ACHIEVED AS A RESULT OF THE PROJECT IMPLEMENTATION ACTIVITIES

- The six water and waste water infrastructure Feasibility Studies for investment in Bihor judet were completed and submitted, in English, to the interested parties. Romanian Government tasked the Ministry of Finance to find funding to implement investments assessed by the feasibility studies;
- The Wrap-up Seminar on EMS&P2 conducted. Environmental benefits and economical savings of \$1,700,000 reported by the five partner organizations;
- GOR endorsed the WATMAN investment for first phase, of \$59 mil;
- WATMAN automatic system was installed and the designed software for data collection/processing/modeling is successfully used by Arges Dispatch.

## D. STATUS OF PROJECT PERFORMANCE INDICATORS

#	PROJECT TASKS & RELATED INDICATORS	ACHIEVEMENTS
<b>Component B: EMS &amp; P2</b>		
1.	Pilot enterprises document substantial cost savings as a consequence of P2 actions undertaken	All pilot organizations reported substantial cost savings as a consequence of P2 actions undertaken, amounting to <b>\$1,700,000/year.</b>
2.	Pilot enterprises document significant reduction in polluting effluents as a consequence of P2 actions undertaken	Due to P2 actions undertaken, the following pollution reduction is achieved: <ul style="list-style-type: none"> <li>- waste water flows: reduced by <b>435,000 m3/year</b></li> <li>- pH reduced <b>from 13 to 10.5</b> at Novatex</li> <li>- BOD reduced <b>by 60%</b> at Alprom</li> </ul>

#	PROJECT TASKS & RELATED INDICATORS	ACHIEVEMENTS
		- pH adjusted within the allowed limits of <b>6.5-8.5</b>
3.	Pilot enterprises document improvements in spill prevention and emergency preparedness and response capabilities	- All partner organizations revised and completed their emergency preparedness and response plans as required by Romanian Legislation; - Due to low cost P2 measures undertaken all partner enterprises documented improvements in spill prevention on site. Additionally, in Promex Braila personnel exposure to hexavalent chromium was reduced.
4.	Pilot enterprises document improved regulatory compliance	- All partner organizations updated their environmental legal database; - For indicators like pH and organics partner organizations improved regulatory compliance.
5.	P2 Action Groups document significant reductions in polluting effluent as a consequence of P2 actions undertaken	Due to P2 actions undertaken, the following pollution reduction is achieved: - waste water discharges: reduced by <b>420,000 m3/year</b> - P and N loadings in waste waters reduced by <b>60%</b>
6.	P2 Action Groups permanent in the pilot sites and have expanded beyond the initial enterprises	P2 Action Groups are permanent in pilot sites. In the fall of 2005, P2 Action Groups included <b>150</b> enterprises in Pitesti and <b>25</b> enterprises in Braila.
<b>Component C: TAIWAT/ WATMAN</b>		
1.	GOR prepare decision for WATMAN investment	GoR approved WATMAN investment and formally endorsed it. MEWM is preparing the international bidding process for equipment acquisition
2.	GOR secures financing for \$80 million investment	For the time being, GoR will provide sovereign guarantee for \$59 mil. investment – as Phase 1 of a total \$136 mil. approved for the WATMAN investment
3.	GOR takes decision to implement Rapid Response Centers (RRC)	GoR approved proceeding with RRC investment, as part of WATMAN Phase 1 implementation
4.	ANAR River Basin branches prepare emergency response communication plans	Assessment of the existing alarm systems and communication means was provided in the WATMAN feasibility study, and recommendation for needed equipments was provided. Cost estimate analysis was finalized. In parallel, data collection and analysis models were designed for Arges Basin, the pilot Basin for WATMAN Project. Technical recommendation will be concluded before final achievement of this indicator.
5.	Water management procedures developed for the Pilot river basin	Software installed, demonstrated and operators trained. Procedures in place and applied
6.	ANAR River Basin branches	Structure and number of RRCs defined in the feasibility

#	PROJECT TASKS & RELATED INDICATORS	ACHIEVEMENTS
	develop specific spill prevention and containment procedures	study and approved by GoR. Technical specification for the tender will be developed in the next stage of SEPIC implementation.
<b>Component D: ANAR</b>		
1.	MEWM approves ANAR structure for EU accession	ANAR was set up as public institution through Government Ordinance 73/2005
2.	Business plans developed by Pilot River Basin Authorities	SEPIC provided the tool and guidance for the development of business plans in the report "Toward Setting Water- and Wastewater- Related Contributions and Penalties in Romania", in the form of the financial model and the scenarios included in the report. Relevant staff of River Basin Directorates were trained at ANAR headquarters on the use of the financial model.
3.	New methodologies for price determination <i>applied</i> in pilot river basins	Pricing policies were articulated in the report "Toward Setting Water- and Wastewater- Related Contributions and Penalties in Romania." These policies were included in the Government Ordinance 73/2005, setting up ANAR.
4.	New effluent pollution charges <i>tested and approved</i> at pilot level by ANAR	Pricing policies formulated in the report "Toward Setting Water- and Wastewater- Related Contributions and Penalties in Romania." Included in the Government Ordinance 73/2005, setting up ANAR
5.	At least three projects developed and financed by the Water Fund	Law 310/2004, modifying the Water Law cancels the Water Fund. Funds previously funneled into the Water Fund constitute now regular ANAR revenue.
6.	ANAR externalization processes completed	Final report in progress

## H. BUDGET INFORMATION

Contract Amount: \$ 4,455,796  
Obligated Amount: \$ 3,710,000  
Invoiced to Date: \$ 3,215,547



**E. Colombia Forestry, TO #824**

*Start Date: August 11, 2003*

*End Date: August 10, 2006*

*Amount of Task Order: \$18,813,248*

**Quarterly Report Number 9 (October-December 2005)**

**I. Background**

In August, 2003, USAID awarded the three-year \$22.7 million Colombia Forestry Development Program (CFDP) to Chemonics International. The program aims to expand the production of marketable and profitable forest products that increase incomes throughout the forestry sector and provide alternative sources of income for the rural communities where forestry activities are centered. An increase in profitable activities in the forestry sector creates real economic alternatives to illicit crops.

CFDP is assisting in development of a viable commercial forestry sector and in catalyzing productive investments in four priority zones that offer reasonable access to markets, forest sector support services and production chains. Assistance focuses on connecting sustainable forest production chains to domestic and international markets. Local assistance is provided by Chemonics' subcontractors, which include *Araujo Ibarra y Asociados*, *Econometría*, the *Corporación Nacional de Investigación y Fomento Forestal* (CONIF), *Gómez Chica*, *Dattis Comunicaciones* and the World Wildlife Fund, among others.

CFDP priority zones are located in Bajo Magdalena, Bajo Atrato-Urabá, the Southwest Pacific Coast and Northeastern Antioquia. The regions were selected because they contain considerable forest resources, suffer from increasing cultivation of illicit crops and have defined markets for forest products.

Program activities focus on four components:

1. Forest Policy: CFDP has improved knowledge about constraints imposed on the commercial forestry sector because of inadequate and inappropriate policies and is working to support necessary policy reform.
2. Plan Colombia: CFDP is assisting Plan Colombia in making its *Familias Guardabosques* program more sustainable and effective.
3. Improved Forest Product Production Chain: CFDP is providing assistance to all segments of the forestry production chain to improve conversion efficiency and utilization of raw materials. A "Co-Investment Fund" serves as the primary vehicle for providing this assistance, through technical assistance at the pre-investment stage, as well as co-financing of initial project investments for selected projects with favorable cost-benefit ratios.

4. **Commercial Forestry Development Fund:** CFDP also provides additional assistance to support viable and responsible commercial forestry incentives outside the four priority zones.

Significant expected program results include establishing 3,000 hectares of commercial plantations and agro-forestry, creating 500 new jobs and benefiting 10,000 families.

## II. Executive Summary

The following bullets highlight the major events and accomplishments of CFDP during the quarter.

- The Colombian House passed the forestry bill. A joint House-Senate committee reconciled the House and Senate versions of the bill and sent it to President Uribe for his signature.
- Completed two forestry management plans, one for Bajo Mira y Frontera and another for Vigía del Fuerte. Both plans have USAID and CAR approval.
- Began implementing bridging projects for FGB and plantation activities resulting in the planting of 2,583 hectares of new crops.
- Supported Bioexpo, a national marketing forum on certified wood products, non-wood forest products, wood products and environmental services in Antioquia that helped link buyers and sellers of these products and services.
- Completed and submitted a transition plan and the 2006 work plan for USAID approval.

**CFDP Key Indicators Generated to Date**

<b>Indicator</b>	<b>Quarter 4 CY 2005</b>	<b>Cumulative</b>
Families Benefited	1,501	5,282
Jobs Created	77	267
Hectares of Plantations/Agroforestry	2,583	3,064
Hectares of Natural Forestry	26,629	36,234
Beneficiaries trained	956	2,013

**Next Quarter.** During the next quarter, CFDP plans to accomplish the following:

- Begin harvesting activities in Bajo Mira y Frontera and Vigía del Fuerte.
- Begin regulatory activities in coordination with the GOC and other counterparts depending on the outcome of the forestry law.
- Implement new FGB projects in Santa Marta.
- Continue strengthening Fedemaderas by assisting new executive director to implement new strategic plan based on opinion survey of members and benchmarking study of successful business associations.
- Hold a marketing conference to role out natural forestry species database in Colombia.
- Submit forest management plans for OIA, Alto Guapi and Docampadó.

### III. Improved Forest Policy

CFDP policy activities focus on providing technical assistance for the new forestry law, working on regulations once the new legal framework has been defined and providing institutional strengthening to the CARs as they engage in administrative and institutional reforms.

#### A. Forestry Law

During the quarter, Colombia lower house engaged in numerous debates on the new forestry bill with 109 amendments proposed to the bill. In early November, the first 33 articles of the bill were approved by the lower house. Then, following further discussion and compromise, the house reached consensus on the remaining articles -- passing the final 25 articles of the law on December 13, 2005 by a resounding 96 – 11 margin. On December 15, the House and Senate versions of the bill were reconciled by a joint house-senate committee and the final bill was sent to President Uribe for his approval. The bill is expected to be signed into law by President Uribe in mid-January.

*"I will dialogue with the environmentalist leaders and we will be very careful with regulations. The country can rest easy because we have tried to protect natural forests and stimulate commercial forests."* - Alvaro Uribe, President of Colombia, December 29<sup>th</sup>, El Colombiano.

During the next quarter, if President Uribe approves the law, CFDP will continue to move forward, in coordination with the Ministries of Environment and Agriculture, to develop key regulations for the sector, as specified by the law. Of the 38 regulations required, CFDP's support will primarily focus on the following ten priority areas: classification of forest areas, determining forestry reserves, sustainable forestry management, harvesting by ethnic communities, requirements and conditions for natural forest harvesting, general plan for forestry zoning, forestry management plans, monitoring and control, industrial production and sanctions and fines for non-compliance. CFDP will support the regulatory development process with legal and technical expertise and by promoting an

inclusive participatory process to engage affected stakeholders and interested parties. This will include workshops and roundtables in various regions of Colombia to provide didactic materials on the law and to solicit input on draft implementing regulations.

If President Uribe does not pass the law, CFDP will seek certain reforms to current regulations and decrees, attempting as best possible to achieve at least partial improvements under current policies and laws. A particular target in this sense would be *Decreto 17-91*, which deals with technical norms relating to inventory and census intensity of natural forests.

The press has provided extensive coverage of the forestry bills perceived strengths and weaknesses. The Ministers of Environment and Agriculture continued to provide strong support to the bill and once it was passed, President Uribe announced his support as well. Nevertheless towards the end of the quarter, negative press coverage concerning Chemonics and USAID were published in regional papers and on national radio stations. CFDP addressed issues with the media in close coordination with USAID.

## **B. CAR Institutional Strengthening**

Diagnostics undertaken during the first year of CFDP confirmed many limitations in the realm of administrative procedures and practices, and overall, in the mind-sets of managers and staff within the institutions charged with implementing policies affecting forestry planning, investment and operations, in particular, the CARs. These weaknesses included the following:

- Lack of reliable data and statistics related to forestry management (for example, deforestation rate estimates vary wildly, with no reliable way to confirm which numbers are more reliable).
- Emphasis on command and control approaches to forestry regulation, inhibited by lack of sufficient numbers of staff to provide corresponding policing functions.
- Missed opportunities in terms of promoting voluntary use of sustainable forestry management practices.
- Inconsistent compliance with national laws and regulations (CARs interpret laws and regulations differently, leading to inconsistencies from region to region).
- High levels of illegal logging and other signs of informality, suggesting that the forestry policy regime is not achieving its objectives.<sup>1</sup>

In response to these weaknesses, CFDP is implementing pilot projects with ASOCARS and five CARs: Corpourabá, Corpamag, Corponariño, CRC and Corantioquia.

### **1. ASOCARS**

The ASOCARS grant supports the design of an information system that collects data on forestry chains in nine CARs and facilitates the exchange of information between these CARs. During the quarter, ASOCARS consulted with the nine CARs and external audiences to select the type of data and variables on the forestry sector that would be included in the forestry information data base. ASOCARS also developed the necessary tools to capture the information and held workshops to present these tools to their members. During the next quarter, ASOCARS will finish compiling the variables and data and load the information onto the regional CAR websites.

### **2. Corpourabá**

The Corpourabá grant has the following components: 1) implement a system of forest regents who will monitor extraction activities and assure that sustainable practices are being used, 2) develop technical guides on sustainable forestry management and 3) design a forest information system including forestry statistics and cartography.

During the quarter, Corpourabá accomplished the following: 1) socialized the natural forestry guides with other CARs and independent forestry engineers to finalize content, 2) socialized the

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<sup>1</sup> See report by CFDP consultant Preston Pattie, "ANÁLISIS INSTITUCIONAL DEL RÉGIMEN FORESTAL DE COLOMBIA," October 2004.

regulations for the forestry regents program with other CARs and independent forestry engineers, 3) prepared a formal study to define the costs of developing a forestry management plan, 4) installed the forestry information database and 5) hired two forestry technicians to provide follow-up for active forestry management plans in Corpourabá's territory. During the next quarter, Corpourabá will publish the natural forestry guides and continue advancing their other activities.

### 3. Corpamag

CFDP's grant to Corpamag consists of the following two components: 1) provide training on natural forest management to communities on the Río Frío and 2) promote reforestation and provide forestry training to farmers in four municipalities.

In component one, Corpamag began working with 46 families in ten villages. Corpamag held five introductory workshops on natural forestry management. In addition, they held an in-depth workshop on forest inventory techniques and a workshop on eco-tourism. Supporting component two, Corpamag developed two demonstration parcels to showcase silvicultural techniques. In addition they conducted three workshops for communities to demonstrate and discuss silvicultural techniques. During the next quarter, Corpamag will continue providing training to project beneficiaries.

### 4. Corponariño

The Corponariño grant provides training to 46 community councils in Nariño on sustainable natural forest management, agroforestry, reforestation and regulations. During the quarter, Corponariño held eight workshops with the community councils covering sustainable forestry



Census activities in Alto Guapi.

management and forestry legislation. They also developed a diagnostic of natural forests in northern Nariño that they have used as a teaching tool in the workshops.

### 5. CRC

CFDP's grant with CRC contains the following components: 1) develop internal regulations with community councils in Guapi and Timbiquí, 2) socialize internal regulations with the *veredas* in each council, 3) provide training on sustainable forestry management to the community councils and 4) place 2,000 hectares of natural forestry under sustainable management. During the quarter, CRC and its affiliated communities

completed a statistical inventory of the 2,000 hectares, completed a draft of the internal regulations and held four workshops on pertinent forestry laws, regulations and procedures.

## 6. Corantioquia

Corantioquia's grant 1) addresses normative aspects of its forestry regulation pertaining to natural and plantation forests and 2) audits *Plan Laderas*, a reforestation effort on the mountains surrounding Medellín, to determine next steps in promoting regional reforestation. During the quarter, Corantioquia advertised the terms of reference for both activities. They hired Luis Barrera to conduct the evaluation of Plan Laderas in late December. However, there was no suitable response to the terms of reference that would have generated a regional reforestation model (part of the Plan Laderas evaluation) and evaluated normative aspects of Corantioquia's forestry regulations. These terms of reference will be advertised again during the next quarter. Corantioquia remains optimistic that they can meet their goals during the specified timeframe.

### C. Developing Financial Mechanisms

As approved by USAID, CFDP will support the development of financial instruments that will allow investors, firms and local communities to take advantage of recently issued Decree No. 27-55 which provides any profit generating firm or individual with the opportunity to channel 20 percent of outstanding tax obligations into new reforestation investments. Specifically, CFDP plans to hire local consultants to support private sector and NGO-led initiatives to define and establish new investment funds designed to take advantage of these new tax incentive provisions. This will build on work already initiated by local private sector and NGO actors. Creating these financial instruments has the potential to unlock sorely needed capital for Colombia's forestry sector. The CFDP is particularly interested in supporting the design of a forestry sector investment fund as a way of attracting private sector financing for the co-investment projects developed under Component 3 of the project.

During the quarter, CFDP met with *Grupo El Nopal* and Araujo Ibarra to discuss the development of these financial instruments. Work is expected to begin on the fund during the next quarter.



FGB beneficiary in  
Urabá with recently  
planted teak.

## IV. Support to Plan Colombia

Since 2004, CFDP has provided critical technical assistance to the communities of Turbo/Necocli and Santa Marta in the *Familias Guardabosques* (FGB) program. This special program under Plan Colombia targets communities that were subjected to prolonged occupation by guerilla and paramilitary forces leading to high levels of conflict, violence, illicit drug trade and disintegration of the local social fabric. With reestablishment of GOC control in these areas, CFDP's assistance aims to transform GOC payments made to FGB beneficiaries from a subsidy to an investment-based program by:



- Designing and implementing forestry and agro-forestry projects
- Stimulating private investment in the same
- Encouraging communities to invest a significant portion of their incentive payments under FGB into these projects
- Training and assisting in the establishment of community forest enterprises (CFE).

### **A. *Familias Guardabosques* – Urabá**

In conjunction with the GOC's *Familias Guardabosques* Program, CFDP is supporting agroforestry efforts in Turbo and Necoclí. CFDP resources are being used to establish 40 hectares of demonstration plots containing cocoa, rubber, plantains and wood-producing trees such as oak, cedar, teak and walnut. The plots are being used to train beneficiaries on the technological package required for each crop and the nurseries will eventually serve as a source of income for the communities that pooled their own capital, along with co-financing provided by CFDP to establish them.

During the quarter, CFDP completed an additional 10 hectares, establishing a total of 35 of the 40 planned hectares originally designated for the demonstration parcels. CFDP also supported extensive hands-on cocoa and rubber training initiatives during the quarter. Approximately 950 beneficiaries have received training to date.

#### **1. Irrimer**

On October 10<sup>th</sup>, CFDP and Irrimer signed a contract for the establishment of 200 hectares of cocoa agroforestry arrangements benefiting some 300 families. Irrimer worked closely with CFDP-supported CFEs Forestcacao and Proacib. CFDP's contract with Irrimer provided planting material and supplies while the communities, through their enterprises, provided land and labor. During the quarter, Irrimer planted 221 hectares, surpassing its original target. An



Teak and melina nursery for El Indio and La Gironda.

estimated seventy-eight hectares of cocoa are still in CFDP-supported nurseries and will be planted in April and/or May 2006. These extra hectares were not planted due to a dry spell during the planting season. CFDP also sponsored cocoa trainings and demonstrations on grafting and planting.

#### **2. Incuagro – rubber**

On October 15<sup>th</sup>, CFDP and Incuagro signed a contract for the establishment of 220 hectares of rubber plantations benefiting some 250 families. Incuagro worked closely with CFDP-sponsored CFE Procaucho to establish 50 hectares. The planting of the remaining hectares was delayed due to a dry spell and the

stop work order. The outstanding hectares will be planted in April and/or May 2006. CFDP also sponsored rubber trainings and demonstrations on grafting and planting.

### 3. Incuagro – plantations

On October 15, CFDP and Incuagro signed a contract for the establishment of 308 hectares of teak and melina, in coordination with El Indio and La Gironda, two CFDP-supported community enterprises. Some 200 families will benefit directly. With CFDP-supported plant material and supplies, beneficiaries planted 189 hectares of teak and 52 hectares of melina. As an additional counterpart contribution, FGB beneficiaries established an additional 131 hectares of teak. During the next quarter, CFDP will present the project to MIDAS as beneficiaries hope to continue planting during the April/May rainy season.

### 4. Living Fences – Fast Track Remnants

To take advantage of fast track teak and melina seedlings, CFDP, in coordination with local FGB communities, supported the planting of the seedlings for non-plantation purposes. In total 85.5 hectares of mature seedlings were planted: 20 in community forests to be used as *arboles semilleros*, 10 for watershed protection and 55.5 as living fences. CFDP provided the seedlings, training, tools and transportation, while the beneficiaries provided labor and land. Some 750 families are direct beneficiaries. As the quarter closed beneficiaries continued planting, suggesting that the original goal of 90 hectares will most likely be surpassed during the next quarter.

### 5. Community Enterprise Development

In an effort to strengthen the 11 community enterprises active in Urabá, CFDP entered into a contract with Incuagro to provide training to 400 community members on administrative and marketing topics. During the quarter, Incuagro held numerous workshops on establishing by-

laws, developing procedures and manuals, refining organizational responsibilities and building business plans. These trainings allowed community members to better manage their community enterprises and to attract private sector investors, such as Fernando Berrío, as shareholders in the businesses, thus gaining valuable advice on the forestry sector. Training will continue through the next quarter.



FGB beneficiary weeding coffee seedlings in SM.

#### B. Familias Guardabosques – Santa Marta

At GOC request, several new projects were added to the Santa Marta portfolio: Fedecafeteros-Madera y Café, Fedecafeteros-200 Has of agroforestry



and Ensolmec. These projects will channel FGB payments into productive initiatives. Given the strong counterparts available in Santa Marta, the majority of the technical assistance is provided by counterpart staff in close coordination with CFDP's regional representative.

### **1. Red Ecolsierra**

In coordination with the United Nations, CFDP's is providing grant funding to Red Ecolsierra to establish demonstration plots containing organic coffee, organic cocoa and wood-producing shade trees. After the communities have received technical training and assistance on the demonstration plots, *Red Ecolsierra* will establish 100 hectares of organic cocoa and wood-producing shade trees and an additional 50 hectares of organic coffee and wood-producing shade trees, benefiting some 100 families. The cocoa will be marketed through Daabon, the coffee through the *Federación de Cafeteros de Magdalena* and the wood will be marketed regionally.

During the quarter Red Ecolsierra finalized the technological package for the crops, after analyzing soil tests and plant genetics. Project beneficiaries planted 94 hectares. They also made significant advances in establishing the demonstration parcels. These parcels are used to provide continuous training to project beneficiaries. During the next quarter, Red Ecolsierra will continue to plant and provide training.

### **2. Fundeagro/Daabon**

Fundeagro's proposed project will provide supplies and technical assistance to establish 200 hectares of cocoa and wood-producing trees that will benefit 67 families. This proposal was approved by USAID as a bridging project. However, USAID has provided Fundeagro with permission to extend the project beyond December 2005. As the quarter closed, Fundeagro was negotiating the terms of the contract. During the next quarter, the contract is expected to be signed and implementation will begin.

### **3. Fedecafeteros – Madera y Cafe**

CFDP signed a contract with Fedecafeteros on November 28<sup>th</sup> for the Madera y Café project, an extension of the UN/Red Ecolsierra agroforestry project. Through this project, CFDP will assist Fedecafeteros to establish 600 hectares of organic coffee and wood-producing trees that will benefit 200 families. During the quarter, Fedecafeteros developed a work plan, implementation chronograms and finalized the list of beneficiaries. Implementation is scheduled to begin next quarter.

### **4. Fedecafeteros – 200 Ha Agroforestales**

CFDP signed a contract with Fedecafeteros on November 28<sup>th</sup> to plant 200 hectares of cocoa, coffee and wood-producing trees that will benefit 150 families. During the quarter, Fedecafeteros developed a work plan, implementation chronograms and finalized the list of beneficiaries. Implementation is scheduled to begin next quarter.

## 5. Ensolmec

The Ensolmec project will provide technical assistance and supplies to establish 100 hectares of cocoa and wood-producing trees benefiting 50 families. Ensolmec is a large community association of FGB families. CFDP expects to sign a contract with Ensolmec early in the next quarter and begin implementation.

## 6. Community Enterprise Development

In accordance with the 2006 work plan, CFDP will continue to provide training to strengthen Santa Marta's three major community enterprises. These trainings will focus on establishing by-laws, developing procedures and manuals, refining organizational responsibilities and building business plans. These trainings will allow community members to better manage their community enterprises and to attract private sector investors. Some 80 people are expected to participate in these trainings, which are scheduled to begin during the next quarter.

## V. Improving Forest Products Production Chains

CFDP is committed to improving the forest production chains in four nuclei: Southwestern Pacific Coast, Urabá/Bajo Atrato, Bajo Magdalena and Northeastern Antioquia. These efforts include support for commercial plantations, natural forest management and agroforestry activities. The project's original design also included transformation activities; however in the

light of the limited timeframe of the project, milling and other processing activities have been suspended. CFDP's activities in the four nuclei have improved forestry management practices, increased efficiency of processing techniques, promoted business planning and financial analysis of alternative investments, and access to higher-end markets.



Graduation of OIA forestry promoters.

### A. Bajo Atrato – Urabá

In Urabá, active projects include Cocomacia and OIA in natural forestry and Selva Húmeda in plantations.

#### 1. Cocomacia – Vigía del Fuerte

Afro-Colombian communities, through Cocomacia and Corpourabá, continue to develop a sustainable forest management plan for 26,529 hectares of natural forest, benefiting 681 families and creating 130 jobs. On December 9th, the forestry management plan was approved by USAID. Corpourabá, the corresponding CAR, approved the management plan on December 20<sup>th</sup>.

During the quarter, the forestry management plan was thoroughly socialized with community members. Work also continued on establishing a community forestry enterprise. After analyzing the pros and cons of various legal forms of enterprises, the community opted for an *empresa unipersonal*. Cocomacia and Corpourabá also designed a model to distribute the profits from the community enterprise. Community enterprise members received training in environmental, administrative, business and social skills required to assure successful operations. To date, 44 community members have received training.

The FARC also began showing interest in the Corpourabá/Cocomacia project as they are aware that the project is funded through USAID. The FARC visited the Cocomacia office and talked to the Legal Representative. Once Cocomacia assured them that USAID was not imposing the projects on them and that the projects responded to real community needs, the FARC withdrew their objection to USAID-supported activities in their areas of influence.

During the next quarter, the first annual harvest will take place and the community forestry enterprise will be finalized. Cocomacia will also disseminate the profit sharing model through meetings and fora with associated communities.

## **2. Organización Indígena de Antioquia (OIA)**

The indigenous communities associated with the *Organización Indígena de Antioquia* continue developing their forest management activities. Under this sub-contract, OIA is completing a sustainable forest management plan covering some 13,206 hectares of forest, benefiting 733 families and generating 100 jobs.

During the quarter, OIA continued to make corrections to their forestry management plan and continued to socialize the plan and the communities' internal regulations. In preparation for the plan's approval by USAID and Corpourabá, they have begun work on the census for the 2006 harvest.

In coordination with SENA, 50 community members completed a training program on forest harvesting techniques and business skills. Participants will use these skills in the indigenous forestry company. Forty beneficiaries became *promotores forestales*, forestry promoters who educate their communities on sustainable forestry management. In addition, OIA continued to visit local, regional and national wood markets to refine their business plan and possibilities for productive alliances.

The indigenous group discussed, analyzed and approved the creation of a community forestry enterprise. They analyzed several different community enterprises in the region and opted for a cooperative model where the local tribal leaders will represent their communities and be responsible for distributing, processing and marketing timber and non-timber products.

During the next quarter, OIA will submit its forestry management plan to USAID for approval. It will also finalize plans for the first harvest and continue training and socialization programs.

The community forestry enterprise is expected to be established in early 2006.

### **3. *Selva Húmeda***

During the quarter, USAID approved a bridging project with *Selva Húmeda* to provide plant material, supplies and technical assistance to establish 112 hectares of teak benefiting 10 families. In total, *Selva Húmeda* planted 130 hectares in Necoclí, Antioquia. This project will be closed out during the next quarter and promoted with MIDAS as *Selva Húmeda* would like to continue planting in April and May 2006.

## **B. Pacific Southwest**

In the Pacific Southwest, CFDP's current project portfolio focuses exclusively on natural forestry management in three communities: Bajo Mira y Frontera, Nariño; Guapi, Cauca; and Docampadó, Chocó. All three communities have advanced well on their forestry management plans.

### **1. Bajo Mira y Frontera**

CFDP has supported local community organizations in developing a natural forestry management plan for 9,705 hectares and established a community enterprise with the *Consejo Comunitario de Bajo Mira y Frontera*. The project is benefiting 1,606 families.

On October 13, USAID approved the forestry management plan. Now that approval has been received by both USAID and Corponariño, the community is completing the 2006 census for the first year of harvest and is planning the harvest itself.

During the next quarter, CFDP will provide technical support for the first harvest and provide extensive low-impact harvest training to community members. Assistance will also be given to the community forestry enterprise as it prepares and executes the harvest. In addition, CFDP will assist the CFE in all aspects of marketing, transforming and selling wood from the harvest.

### **2. Alto Guapi - *Semillas de Agua***

CFDP is also supporting local communities and organizations in developing a management plan and community forest enterprise with the *Consejo Comunitario de Alto Guapi* through subcontractor *Semillas de Agua*. This effort will result in the management of 23,000 hectares of natural forest and benefit 450 families.



Project beneficiaries and future community leaders in Bajo Mira y Frontera.

During the quarter, *Semillas de Agua* completed the analysis of the forest inventory and census for the first year's harvest. This analysis constitutes the basis of their forestry management plan.

*Semillas de Agua* engaged in significant training and socialization during the quarter. They held two workshops to develop the communities' internal regulations and then 10 smaller workshops in each individual community. *Semillas de Agua* also held a dendrology workshop where community members were trained to identify the trees that would be harvested under the forestry management plan.

During the next quarter, *Semillas de Agua* will complete the forestry management plan and forward it to CRC and USAID for approval. *Semillas de Agua* will give a workshop on directed felling and continue to work on developing the carpentry shop that will produce furniture and other value added products with wood sustainably harvested from the forest.

### 3. Docampadó - Bioexp

CFDP subcontractor Bioexp is working to sustainably manage 10,000 hectares of natural forest in coordination with 820 beneficiary families in Docampadó, Chocó. During the quarter Bioexp completed a first draft of the forestry management plan, began the first year census of 350 hectares, developed and partially socialized a draft of the communities' internal regulations and trained 97 community members on census and business administration.

During the next quarter, Bioexp will finish a final draft of the forestry management plan for submission to Codechocó and USAID. They will also finish the 2006 annual harvesting plan and complete the internal regulations.



Planting activities in San Sebastián.

### C. Bajo Magdalena

In Bajo Magdalena, CFDP has three active plantation projects that all engaged in planting this quarter. Given severe rains, two of the three implementers were forced to postpone plantings until the next rainy season.

#### 1. Pizano

The Pizano project will establish 1,058 hectares of Melina benefiting an estimated 100 families in Zambrano, Bolívar. CFDP is supporting labor costs. During the quarter, Pizano planted all 1,058 hectares and CFDP staff verified that they are in good condition.

## **2. Finagro/Refocosta**

On November 1, CFDP signed a contract with Finagro/Refocosta to establish 950 hectares of teak benefiting an estimated 85 families Becerril and Augustin Codazzi in Bolivar and San Angel and Algarrobo in Magdalena. CFDP's contribution is paying for labor costs. During the quarter, Finagro planted 818 hectares which were verified by CFDP staff. The heavy rain in the area inundated several fields where planting was to take place, so the remaining 132 hectares will be planted in April or May 2006. The teak plantlets will be pruned to reduce growth so they can be used in the April/May planting season. Finagro will cover associated maintenance costs.

## **3. Madeflex**

On October 15, CFDP contracted with Madeflex to establish 500 hectares of eucalyptus benefiting some 46 families in the municipalities of San Sebastian, Guamal and Santa Bárbara de Pinto in Magdalena. The seedlings used are from RESS's genetic studies and cattle will be allowed on the plantations after the seedlings are 18 months old. CFDP's contribution towards the project takes the form of covering labor costs and technical assistance. During the quarter, Madeflex planted some 220 hectares. Madeflex was unable to plant the remaining 280 hectares due to excessive rainfall. The eucalyptus plantlets will be subjected to pruning and will be planted in the April-May growing season. Madeflex will cover maintenance costs for the seedlings.

## **D. Northeastern Antioquia**

CFDP no longer has an active portfolio in Northeastern Antioquia because co-investment projects from this region were not prioritized as bridging projects. During the next quarter, CFDP will work closely with USAID to communicate possible next steps for collaboration with project proponents under MIDAS.

## **VI. Commercial Forestry Development Fund**

The Commercial Forestry Development Fund supports activities that are of strategic importance to the overall growth of the forest sector at the macro-level, thus complementing the activities carried out under other components of CFDP. The Fund serves as a catalyst for growth by attracting investment in and raising the competitiveness of the commercial forestry sector. Activities include:

- Strengthening Fedemaderas -- a forestry sector business association ---to serve as an advocate for sound forest management, policy, trade, innovation and investment – Fedemaderas.
- Promoting new domestic uses for wood products to grow demand and thus stimulate investment in production and more efficient processing of wood products through: a marketing database – SINCHI; the promotion of wooden housing – CIDICO; and promotion of new markets – Bioexpo.



- Supporting the inclusion of Colombian forests in formal and informal markets for trading greenhouse gas credits – Monterrey Forestal.

### **A. Representative Body - Fedemaderas**

During the quarter CFDP continued offering institutional strengthening assistance to Fedemaderas. TO better serve their members, CFDP assisted Fedemaderas to conduct an extensive survey and opinion poll of their members. The results of Fedemaderas' members' opinion polls revealed the following:



Project beneficiary clearing land for planting.

1. Affiliates expect Fedemaderas to offer services such as: price information, advice on governmental procedures (permits, etc.) and sector information.
2. Given the small size and limited technological capacity of most affiliates, they prefer to receive information by mail or fax rather than Internet.
3. Affiliates are interested in receiving information on national and international trade fairs, attending training events, having

an annual Fedemaderas Congress, receiving information on the forestry law and attending events on new machinery.

In addition, a benchmarking study of other successful business associations will be completed early in the next quarter. CFDP's support for Fedemaderas' accounting systems was also beneficial and it is expected that Fedemaderas' accounting will be up-to-date in March, in time for their yearly general assembly. In December, Fedemaderas also began looking for a full-time executive director. It is anticipated that a new executive director will be selected in mid-January.

### **B. Promoting Demand**

#### **1. Wood Properties and Uses Marketing Database**

The International Tropical Timber Organization (ITTO) has given CFDP permission to use and update its database with 144 species common to CFDP's two natural forest regions. The database will allow potential buyers to view characteristics of the species and make informed decisions on their use and market potential. During the quarter, CFDP subcontractor Sinchi developed a more user-friendly version of the website, began editing and diagramming the tree identification manual and sent the natural forestry wood samples for production. During the next quarter, Sinchi will finalize the database, complete the manual, hold an event to launch the

website and the wood samples and send the finalized information to the ITTO. CFDP plans to invite wood buyers, community members and universities to the event and distribute the manuals and wood samples. This will be the first complete study of natural forestry species in Colombia.

## 2. CIDICO

To increase the value of products harvested from pine plantations, CIDICO's grant stimulates the domestic market for wood construction. The grant focuses on the following areas: 1) improving designs with well-dimensioned and graded structural lumber, MSD, 2) supporting technology transfer, 3) promoting pilot projects using wood and 4) exploring policies, rules, codes and financing affecting construction companies using wood. During the quarter, CIDICO developed two housing prototypes and plans to begin construction during the next quarter.

CFDP's support of the nascent wood construction cluster is aimed at developing demand for high valued wood products and improving the economics returns on investments in tree planning and forestry management. This will contribute to stimulating demand for wood from Colombia's dwindling plantations.

## 3. Bioexpo

In coordination with Corantiquia, CFDP supported Bioexpo, a trade fair featuring buyers and sellers of environmental services and products from across the nation. During the four-day fair, approximately 10,000 people attended. At the CFDP-sponsored *rueda de negocios*, market information on certified wood products, non-wood forest products, wood products and environmental services in Colombia was widely disseminated to fair participants. During the *rueda de negocios* 425 different encounters were realized between interested partners, resulting

in commitments totaling over \$5 million dollars. With this fair, CFDP reached its goal of disseminating information on new markets and succeeded in matching buyers and sellers of these services and products.

### C. Carbon Trading - Monterrey Forestal

CFDP's grant with Monterrey Forestal provides support for a feasibility study and a Project Design Document (PDD) that will be used to access international carbon trading markets. Monterrey Forestal is coordinating closely with the Ministry of Environment's Office of Climate Change. The PDD will allow Colombian forests to access funds generated by carbon markets, thus providing an important additional resources for forest operations. The project will develop a carbon accounting methodology for the regions and pre-select some 18,000 hectares of land for possible entry into carbon trading. The three initial areas of geographic interest were: Medio Atrato, Urabá and Zambrano, Bolivar.



Demonstration parcel in Urabá.



During the quarter, all field work in Bolivar was completed and 10,000 hectares were selected for possible carbon trading. Field work began in Urabá, but due to a lack of information on land tenancy, the field work was halted. Medio Atrato also suffers from a lack of reliable municipal information on land tenancy. As a result, CFDP and Monterrey Forestal have decided to substitute the two areas with 4,000 hectares in Cesar and 4,000 hectares in Magdalena. The municipalities in question have good land tenancy records and the field work will begin early in the next semester. In addition, Monterrey Forestal finished the carbon accounting methodology and will be submitting it to the international Clean Development Mechanisms committee for approval. Once the methodology is approved, Colombian plantation owners in these areas will be able to pursue carbon credits.

## **VII. Progress Toward SO2 Goals**

The table below reflects the results as of December 2005 taking into account the indicator adjustments made in CFDP's 2006 work plan submitted to USAID in early December 2005. As indicated by the table, CFDP is on track for meeting its targets. CFDP met and surpassed its contractually targeted goal for hectares of plantations and agroforestry due to the implementation of the bridging projects. CFDP has also met and surpassed its goal of identifying and disseminating information on new markets, having disseminated information on three markets during the quarter.

All indicators for on-the-ground projects were verified by CFDP's managers in accordance with the guidelines established in CFDP's Performance Monitoring Plan. Managers also verified that environmental criterion was appropriately followed and attest to the absence of coca and/or intercropping on hectares reported.

Due to the Christmas holidays, several of the newer sub-contractors did not comply with the deadlines set and their information did not arrive in time to be included in the report sent to USAID. As per discussions with David Cano, USAID's M&E coordinator, this information will be included in the next quarterly report.

### Results as of December 2005

Indicator	Quarterly	Accumulated	Goal Per Workplan
Families benefited	1,501	5,282	10,000
Jobs created	77	267	500
Hectares of forestry/agroforestry	2,583	3,064	3,000
Hectares of natural forestry	26,529	36,234	80,000
Policies and incentives reviewed and diffused	0	2	1
New markets identified and disseminated	4	5	3
Technical assistance provided to Plan Colombia	\$432,406	\$875,241	\$1,500,000
Hectares of natural forestry zoned	0	472,527	472,527
Beneficiaries trained	956	2,013	2,073
Increase in sales	0	0	200,000
Forestry law passed	no	no	yes
Forestry regulations passed and implemented	0	1	10
NGOs/associations/businesses supported	2	41	75
Communities signing coca-free agreements	0	111	111
Families included under coca-free agreements	832	3,086	3,693
Proportion of client families coca-free	100	100	100
Private sector funds leveraged	0	\$112,242	\$460,743
Public sector funds leveraged	0	\$73,587	\$873,587

## Progress on Natural Forest Management Scale (Hectares)<sup>2</sup>

Operator / Area	Forest Inventory Completed	Management Plan Developed	Management Plan Approved by CAR	Harvesting According to Plan
Bajo Mira y Frontera			9,705	
Semillas de Agua / Alto Guapi		23,000		
Bioexp/Docampadó		10,000		
Corpourabá / Vigía del Fuerte - Murindó			26,529	
OIA /Chigorodó - Mutatá			13,000	
<b>Total</b>		<b>33,000</b>	<b>49,234</b>	

## VIII. Program Management and Support Activities

### A. Grants and Contracts

During the quarter, major contracting activities included: 1) submitting all co-investment proposals and documentation to USAID, 2) signing bridging contracts and 3) providing contract and grant follow-up.

### B. 2006 Work Plan

On October 3<sup>rd</sup>, 2005, CFDP submitted its proposed transition plan to meld its activities with MIDAS. On November 18<sup>th</sup>, CFDP submitted a 2006 work plan. After responding to USAID comments, CFDP submitted a Revised Work Plan on December 7<sup>th</sup>. Subsequently, USAID provided authorization to CFDP to begin implementing all activities contained in the work plan. Formal work plan approval is expected to be received in January 2006.

<sup>2</sup> This scale was developed to show when natural forests could be considered well-managed. CFDP believes that harvesting according to the management plan is the last step in this process, given the program's timeframe. Green indicates the step has been completed, yellow indicates that it is in process. The first two steps in the scale, the rapid diagnostic and the signed agreement with communities have been removed from this graphical representation as they were completed several quarters ago.

### **C. Environmental Compliance**

During the quarter, two forestry management plans were approved. One for Bajo Mira y Frontera and one for Vigia del Fuerte. In addition, CFDP received USAID approval for all project environmental reviews for activities currently underway. A few additional environmental reviews will be sent in during the next quarter as final FGB activities are initiated.

### **D. Monitoring and Evaluation**

On August 22, CFDP submitted their Revised Performance Monitoring Plan to USAID for revision. This revised plan included the new indicators requested by USAID in June 2005. Approval of the revised plan is still pending. During the next quarter, CFDP will begin auditing bridging projects prior to subcontract close out.

### **E. Personnel**

Stephen Pelliccia replaced Vincent Ruddy as CFDP's COP as of November 7, 2005. Greg Minnick replaced John Nittler as CFDP's Project Director as of November 1, 2005.

## **IX. Financial Statements**

To date, CFDP has expended approximately \$14.3 million, leaving a balance of \$12.7 to expend (not taking into account CFDP's budget reduction). During the next quarter, CFDP expects to expend approximately \$2 million. See Annex A and B for detailed financial information on CFDP's expenditures and projections for the next quarter.

**F. Paraguay Poverty Reduction, TO #825**

*Start Date: August 15, 2003*

*End Date: August 11, 2007*

*Amount of Task Order: \$ 6,196,728*

Under the General Business Trade and Investment Indefinite Quantity Contract (IQC), on August 12, 2003 the Chemonics consortium was awarded a task order to provide technical assistance in support of the Paraguay Poverty Reduction Program (Contract No. PCEI00990001500, Task Order 825). The contract is being implemented by Chemonics International with Crimson Capital Corporation, Universidad Católica Nuestra Señora de la Asunción/Shirosawa Company SAIC Consortium (UC/Shirosawa), Cámara de Comercio Paraguayo-Americana, and Enlace/Asecorp Consortium as subcontractors. The duration of the task order is four years, during which time we shall provide business development services to reduce poverty and to expand sales, jobs, and investment in Paraguay.

The Paraguay Vende project works to increase the incomes of the poor in selected economic regions and produce a rapid economic turnaround through job creation and income generation. Paraguayan subcontractors manage three Economic Service Centres (ESCs) located in Ciudad del Este, Coronel Oviedo, and Pedro Juan Caballero. These cities lie in strategically selected economic corridors where poverty converges with potential for economic growth. Adopting a demand-driven approach, the ESCs identify individual firms with the highest potential for growth and a willingness to invest, regardless of the sector or product. Providing only non-financial technical assistance, the project helps client firms solve problems to overcome specific obstacles to expanding sales and entering new markets. Paraguay Vende helps firms make contact with buyers, meet quality standards, achieve consistent quality and supply, and increase profits by maximizing the value added locally. Moreover, working with client firms, the project is identifying policy and regulatory constraints hindering economic growth, and the project's Trade Facilitation Center (CFC) will work to remove these constraints to foster a more enabling environment.

**Life of Project Goals**

Program success is measured in terms of the program's documented impact on several critical indicators. Program results are directly attributable to interventions and assistance provided to the clients it serves. The program is expected to achieve the following results:

1. Employment: 1,312,500 days of employment generated
2. Increase in Business volume (sales): \$15,750,000
3. Increased Investment in plant and equipment: \$1,750,000
4. Increased Exports (may be a subset of sales reported in indicator #2 above): \$5,250,000

This report summarizes Paraguay Vende's activities and progress this quarter, describes any problems which have arisen during implementation, outlines solutions to problems and presents a preview of the activities to be undertaken during the next quarter. It also contains a summary of level of effort and expenditures, by quarter and cumulative through the life of the project.

## A. Summary

This section presents an overview of the project's activities during the past quarter. The chart below details the firms that Paraguay Vende is currently assisting.

### Current Companies assisted (preliminary information)

Nº	Company	Corrideor	Rating
1	XTREME	CDE	A
2	ESTANCIAS FD	CDE	A
3	UPISA	CDE	A
4	DALAZEN	CDE	A
5	CHORTITZER KOMITEE S.R.L.	CDE	A
6	FRUTIKA SRL	CDE	A
7	METALFUERTE	CDE	B
8	EL CARDUMEN	CDE	A
9	MOTOPAR	CDE	A
10	CASTILLA	CDE	A
11	Marcos Sborosvky-MAPASA	CDE	A
12	HNR Industrial (+)	CDE	A
13	José Devanir Gómes	CDE	A
14	LA LECHUZA-ESTE	CDE	A
15	DELFIN RUIZ	CO	A
16	FIBRAC	CO	A
17	BOSQUES DE ASUNCION (+)	CO	B
18	Coop. Industrial Yegros Ltda.	CO	A
19	SHIROSAWA	CO	A
20	INFOSA S.R.L.	CO	A
21	ENRIQUE REMELE SACEI	CO	B
22	Ind. Maderera COPELAND	CO	A
23	Destileria del Sur	CO	A
24	Coop. Ycua Bolaños	CO	A
25	KEMAGRO	PJC	A
26	JAMES MAY	PJC	C
27	SUR PY -POMBERO	PJC	B
28	DTP	PJC	A
29	NATURIT	PJC	B
30	ONE WORLD TRADING	PJC	A
31	FRUTERRA S.A.	PJC	A

32	SCAMPI S.A. - DON CAMARON	PJC	B
33	HIERBAPAR	PJC	A
34	LA LECHUZA-NORTE	PJC	C
35	Coop. Norteña de Ycuamandyju	PJC	A
36	Coop. Guayaibi Poty	PJC	A
37	Imperio Guaraní S.A.	PJC	A
38	Prodalcon S.A.	PJC	B
39	Paraguay Trade Fairs	PJC	A
40	Chung Bo	PJC	A
41	Maxi Vigas S.A.	PJC	A
42	Frigorífico Guaraní S.A.C.I.	PJC	A

**Rating**

A= Strategic cases  
B=Normal  
C=Declining  
D=Termination

**Results**

The chart below shows the preliminary results from the fourth quarter, with 28 out of 42 firms reporting. Please note that these numbers have not yet been finalized by the monitoring and evaluation unit and may change prior to submission of the project's quarterly report to the CTO's office at USAID/Paraguay.

Table 3  
**Q4– FY 2005 Preliminary Results**  
In Guaranies and Dollars

Client	Venta Adicional total (US\$)	Venta Adicional Local (US\$)	Exportaciones Adicionales US\$	EmpleoAdicional (jornales)	Inversiones_ \$ (US\$)
Bosques Asunción S.A.	480	480	0	69	0
Chung Bo S.A.I.C.I	113,002	0	113,002	16,294	0
Cooperativa del Norte Guayaibi Poty Ltda.	24,678	0	24,678	4,095	0
Cooperativa La Norteña Ycuamandyyu Ltda.	141,950	0	141,950	23,556	0
Dalazen S.A.	33,841	33,841	0	2,052	0
Delfin Ruiz	0	0	0	0	0
Destileria del Sur S.A.C.I.A.	93,601	93,601	0	1,813	0
DTP-Desarrollo Turistico Paraguay S.R.L.	41,646	41,646	0	7,203	0
El Cardumen S.R.L.	8,663	8,663	0	1,345	0
Fibrac	65,474	65,474	0	9,449	30,000
Fruterra del Paraguay S.A.	1,197	1,197	0	173	0
Grupo Estancias FD	58,107	58,107	0	9,483	0
Hierbapar S.A.	20,152	20,152	0	2,906	0
HNR Industrial	8,146	8,146	0	1,002	6,420
Infosa S.R.L.	122,219	0	122,219	11,789	0
James May	594	0	594	86	0
La LechuzaS.R.L.-CSE ESTE	3,777	3,777	0	214	0
Metal Fuerte S.R.L.	48,960	48,960	0	2,968	0
Motopar S.A.	86,203	86,203	0	10,605	0
Naturit S.R.L.	19,064	0	19,064	3,164	0
One World Trading	0	0	0	0	0
Paraguay Trade Fair	0	0	0	0	0
Scampi S.A.	0	0	0	0	0
Semillas Kemagro S.A.	0	0	0	0	0
Shirosawa Company S.A.I.C.	0	0	0	0	0
Soc. Coop. Col. Chortitzer Komitee Ltda.	85,635	0	85,635	6,598	0
SUR PY S.A.-Pombero	0	0	0	0	0
UPISA- Unión de Productores de Itapua S.A.	570,856	92,185	478,671	48,795	0
<b>Total</b>	<b>1,548,246</b>	<b>562,431</b>	<b>985,814</b>	<b>163,659</b>	<b>36,420</b>

## A1. Continuing Technical Assistance

In the fourth quarter of 2005, the Paraguay Vende project continued to provide 42 companies with technical assistance to solve business problems and increase sales. At the time of this report, 21 of the 28 firms that have already reported their results have had positive growth in the areas of sales, jobs, investments, and exports. Companies like Dalazen have continued to receive assistance and are generating solid results for the project. During this quarter, the project



discontinued work with 19 firms that are listed in the table below.

**Companies with “D” rating (terminated status)**

Nº	Company	CSE	Rating
1	BARIRÍ	CDE	D
2	TRANSTRADE	CDE	D
3	BRAVIEW	CDE	D
4	GUARANI CROPS SCIENCE	CDE	D
5	KTC Paraguay	CDE	D
6	MAGRO PLAN	CO	D
7	INDUSTRIA CASERA AO POI	CO	D
8	ORO VERDE	CO	D
9	AGROPLUS	CO	D
10	EL AGRICULTOR	CO	D
11	SOJA RICA	CO	D
12	AKASA	CO	D
13	TELNET	PJC	D
14	CONFECCIONES CATEDRAL	PJC	D
15	GRANJA AIDA	PJC	D
16	ITACUER	PJC	D
17	GRUPO TRINIDAD	PJC	D
18	JOSE COELHO	PJC	D
19	PANTER	PJC	D

**B. Technical Activities Planned for Next Quarter**

During the next quarter Paraguay Vende anticipates several activities with client firms. These activities will seek to strengthen ties with current buyers in the region, and to cultivate new relationships with potential customers for Paraguayan products. In particular, Vende will continue to provide assistance to numerous firms that are exporting wood, with the goals of increasing sales in this area and helping more Paraguayan firms in this sector.

Paraguay Vende will also continue its work in the Trade Facilitation Center in Ciudad del Este by soliciting proposals to address challenges and barriers to trade.

**C. Problems and Proposed Solutions**

The project has no notable problems to discuss from this quarter.

#### D. Level of Effort

Work Day Category	Total LOE Under TO Contract	Total LOE Invoiced to Date	Total LOE Remaining	% LOE Spent
LT Local Professionals	5421	2755.00	2666.00	51%
ST Expat Specialists	322	132.36	189.62	41%
ST TCN Professional	200	45	155	22%
ST Local Professional	1307	1050.09	257.22	80%
HO Technical and Management Support	195	103.23	100.28	53%
<b>TOTAL LOE</b>	<b>7445</b>	<b>4085.19</b>	<b>3368.61</b>	<b>55%</b>

#### E. Financial Summary

Line Items	Contract Budget	Invoiced Through Third Quarter 2005	Contract Funds Remaining
Work Days Ordered	\$2,485,717.00	\$1,291,621	\$1,193,709
Other Direct Costs	\$3,535,248.00	\$1,502,374	\$2,032,874
G & A	\$175,761.00	\$71,447	\$104,313
<b>Total</b>	<b>\$6,196,726.00</b>	<b>\$2,865,442</b>	<b>\$3,330,896</b>

**G. Uganda Strengthening the Competitiveness of Private Enterprise (SCOPE), TO #828**

*Start Date: December 18, 2003*

*End Date: December 31, 2006*

*Amount of Task Order: \$5,992,598*

The SCOPE, Strengthening the Competitiveness of Private Enterprise activity, is a three-year project financed under a SEGIR GBTI Task Order. SCOPE's first annual report covered the nine-month period from January through September 2004. This second annual report is for the full 12-month period from October 2004 through September 2005. It also incorporates SCOPE's second monitoring report, carried out against indicators agreed to between the Chemonics SCOPE team and USAID as part of the contract for SCOPE implementation

In the first nine months of implementation, as chronicled in the first annual report, SCOPE set the stage for project implementation by developing various tools for monitoring and reporting on progress, by establishing working arrangements with key partners in the private and public sectors and in the media, by assessing the competitiveness prospects for target sub sectors, and by working with private sector leaders to begin development of competitive sub sector growth strategies. In the second year of implementation, SCOPE facilitated concretization of competitive business development strategies, dealt with major changes in its partner organizations, fine-tuned use of competitiveness thinking to guide strategy development, expanded outreach to the public sector, and developed new insights into constraints to Uganda competitiveness. From presentation of the year's highlights to discussion of lessons learned, the SCOPE year-in-review is presented in this document.

Section I sets the stage for the report by providing a general introduction to SCOPE activity and its relationship to USAID/Uganda's Strategic Objective 7 as well as its Results Framework as amended for Year 2 activity.

Section II provides an update on SCOPE's technical approach to implementation of competitiveness initiatives, focusing on the introduction and use of competitive diamonds to guide strategy development and competitiveness plan design. This section provides an overview of Uganda's progress toward increasing competitiveness, both from country and from target sub sector perspective. Lessons learned to date by SCOPE as a result of Year I and Year 2 activity are also presented.

Section III documents progress made by SCOPE in each of the project's components and Key Result Areas (KRAs) against Year 2 benchmarks. Success stories where applicable are also presented. SCOPE met most of its benchmark targets. Where benchmarks were not fully achieved, explanations are provided.

Section IV summarizes progress against Life of Activity Indicators. Annexes to the report

## **SCOPE SECOND YEAR HIGHLIGHTS**

- **Branding.** With technical and financial support from SCOPE, over 350 school children from 23 secondary schools in four regions (Northern, Eastern, Western and Central) participated in developing a new national brand for Uganda. Results of this exercise were submitted to the SCOPE-established advertising cluster and a competitive process which resulted in creation of Uganda's new logo and tagline (Uganda: Gifted by Nature).
- **Competitive Diamonds.** In the second year, competitive diamonds were developed for each target sub sector and these provided key input to development of private sector-driven competitiveness strategies. They also supported SCOPE ability to articulate the challenges of competitiveness to private and public sector audiences.
- **Commodity Competitiveness Strategies.** Strategies for commodity sub sectors other than floriculture (whose business plan was launched at the end of Year 1) were designed to address the lack of efficiency and productivity within supply to market chains which served to hamper competitiveness. Strategies developed for cotton, coffee, and fisheries during the year are the subject of further discussion with both private and public sector players.
- **POPP Model.** This model for a Partnership for Oilseed Production and Processing, developed in cooperation with Mukwano Industries, was designed to result in a competitive future in oilseeds production and export, decentralized oilseeds processing based on biomass, and sustainable, farmer-owned and driven production systems which will support participation of thousands of farmers as the model is perfected in the east and expanded into the northern areas of the country.
- **Industry Alliances.** To address the problems of effective private sector coordination, SCOPE introduced the concept of industry alliances to its working groups in grains, fisheries, coffee and tourism. The new alliances will directly address the fact that Uganda's sub sector associations are currently fragmented along the value chain and lack effective mechanisms through which to organize for competitiveness, develop industry-wide platforms, and advocate for needed resources.
- **Competitiveness Awareness Survey.** SCOPE carried out a Competitiveness Awareness Survey in conjunction with sub contractor, On the Frontier Group, a Michael Porter subsidiary. The survey, which was carried out in various regions of Uganda with both public and private sector actors underlined the fact that most Ugandans do not understand what determines competitiveness and underscored the depth of mindset change needed to bring competitiveness thinking to the forefront as a driver for the national economy. Survey findings bolstered SCOPE ability to communicate critical issues to target public and private sector audiences.
- **Partner Organization Changes.** Both of SCOPE's key institutional partners, as introduced in the first annual report – MTCS from the public sector and PSFU from the private sector – experienced major changes that caused SCOPE to refocus its activities and its partnership strategies. This refocusing has led to revised Year 3 strategies designed to drive a private-public

dialogue leading toward formation of a unified institutional framework for national competitiveness.

- **Trade Agreements Study.** Uganda is signatory to five trade agreements – WTO, EAC, COMESA, EU-ACP, and AGOA. While the cry for “trade not aid” is heard with increasing frequency, the overarching constraints to increased exports in the sub sectors focused upon by SCOPE are production-sided rather than market-sided. As part of its efforts to demystify trade agreements and begin to look for expanded opportunities for exports in its key sub sectors, SCOPE carried out a study to look at current agreements and to benchmark Uganda’s current performance under each. The study pinpointed the areas where Uganda has to take action in order to maximize its ability to benefit from its participation.
- **Communications Activities.** The media cluster emerged as a major highlight of the year, with SCOPE able to facilitate the ability of its emerging clusters to get access to media coverage on issues related to such things as VAT, duty drawback, incentives, etc. There was a noticeable increase in coverage and understanding of competitiveness during the year. The newsletter and website functioned effectively as tools for communicating competitiveness-related issues to a wider audience, with many kudos coming into SCOPE re the newsletter.
- **Youth Awareness.** The first Uganda Competitiveness Club (UCC), initiated at Uganda Martyrs University, Nkozi, restarted itself for the second year – this time charging a membership fee and making plans to implement domestic marketing campaigns on behalf of Ugandan products.
- **Indicators of Competitiveness.** SCOPE facilitated MTCS and MISR to carry out country-wide implementation of the Executive Opinion Survey, the instrument which is at the heart of preparation of the Global Competitiveness Index and Uganda’s ranking within the Global Competitiveness Report. Prior to SCOPE intervention, business leaders interviewed for the survey did not reflect the productive sectors of the economy and the respondents were mostly in the Central region. SCOPE support was aimed at assisting the MTCS to carry out a survey that the country would be able to use as a benchmark for design of subsequent activities and for monitoring of country performance.
- **Impact on National Thinking.** SCOPE has been able to begin to facilitate a larger competitiveness dialogue targeted to have impact on national thinking re competitiveness. Work was begun toward establishment of a Parliamentary Committee on Competitiveness. Contributions were made to the redrafting of the Medium Term Competitiveness Strategy (until the Secretariat went into hiatus from May to October). Presentations were made to the Private Sector Donor Group and the PMA Donor Group re the use of competitiveness approaches to develop frameworks for extension of donor support. Through its participation in the Presidential Investors Roundtable (PIRT), SCOPE was able to make key input to the agricultural committee of that body.

## **SECTION I**

### **SCOPE OVERVIEW**

#### **A. Introduction**

Strengthening the Competitiveness of Private Enterprise (SCOPE) seeks to expand the competitiveness of targeted sub sectors by promoting private sector-driven market initiatives, increasing institutional capacity for competitiveness, structuring a results-oriented, sustainable private-public competitiveness dialogue, and supporting development of an enabling environment for broad-based economic growth through expanded trade. SCOPE facilitates the transformation of sub sectors into competitive national industries through formation of clusters which work to improve competitiveness in international, regional, and domestic markets. Through competitive and sustainable marketplace positioning, Uganda seeks to increase volumes and values of exports, expand market share for selected products, and improve Uganda's overall trade positions. SCOPE works in seven agricultural sub sectors -- coffee, cotton, dairy, fish, floriculture, maize and Oil seeds -- as well as the tourism sector.

#### **B. SCOPE Activity and USAID's Strategic Objective 7**

SCOPE is an activity within USAID's Strategic Objective 7 (SO7) portfolio and its efforts support achievement of results which contribute to "Expanded Sustainable Economic Opportunity for Rural Sector Growth." Other activities within the SO7 portfolio (RuralSPEED, APEP, PRIME/West, Land o' Lakes) carry out complementary efforts. SCOPE looks for opportunities to maximize complementarities among all SO7 initiatives as these are crucial for the development of an overall perspective and direction for expanded sub sector growth and competitiveness.

SCOPE activities support the Government of Uganda's poverty eradication goals as set forth in the Poverty Eradication Action Plan (PEAP), which makes a direct linkage between increased volumes and values (for export and domestic consumption) and the reduction of poverty. SCOPE activities respond to the objectives of the Medium Term Competitiveness Strategy (MTCS), the document which operates as the implementing arm for the PEAP and guides Uganda's competitive growth initiatives.

SCOPE's target areas are directly in line with the GOU Strategic Export Program (SEP), and they provide a livelihood for an estimated 12 million Ugandans, the majority of whom live at subsistence levels in rural areas. Despite the fact that its share of GDP has continued to drop over the past five years, agriculture remains the major source of livelihood for 70% of Uganda's population, and increased agricultural output and productivity are needed to generate improved farm revenues that will lead to job (on farm and off farm) and enterprise creation. Enterprise expansion will then translate into increased government revenue, and, hopefully, into improved government ability to extend/provide social services. SCOPE addresses this cause and effect chain, which must be in place to move rural populations above the poverty line, within the context of the business plans put together to guide sub sector economic expansion.

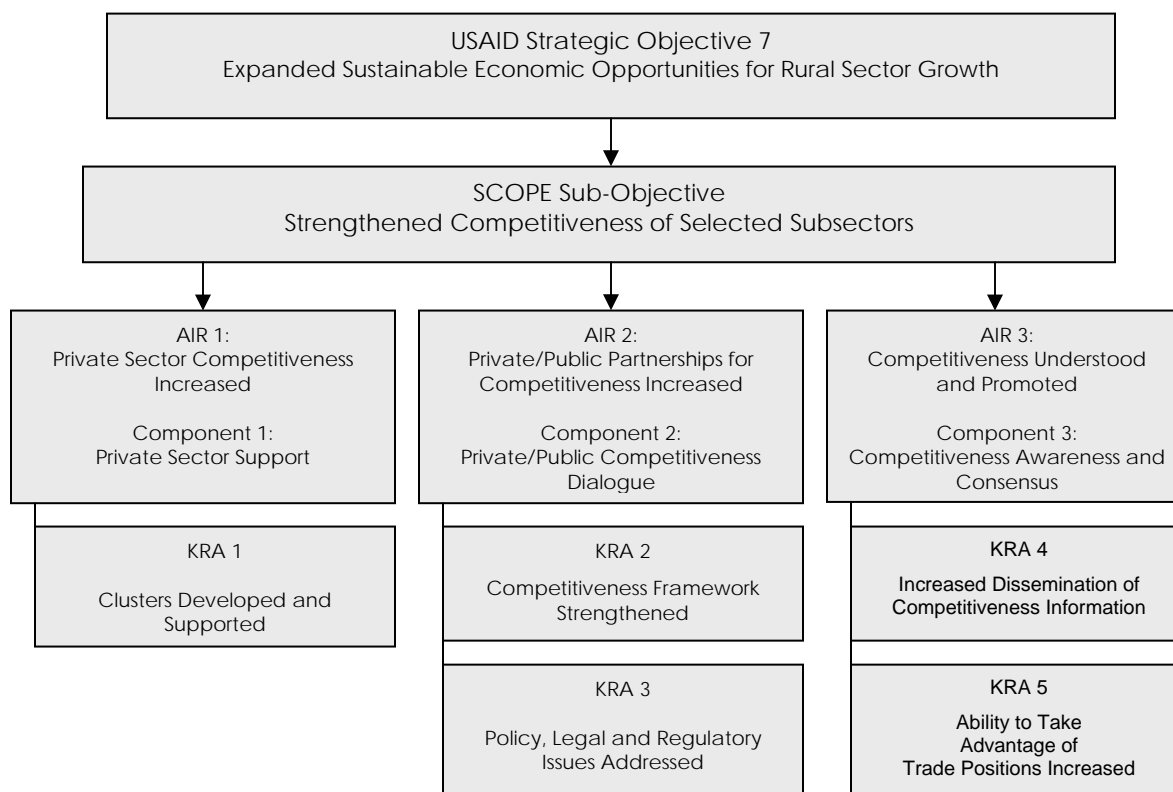
## C. SCOPE Results Framework

SCOPE contributes to USAID Strategic Objective 7 through the SCOPE sub-objective, “Strengthened Competitiveness of Selected Sub Sectors.” To achieve this sub objective, SCOPE works through three components:

- Private Sector Competitiveness Increased
- Private/Public Partnerships for Competitiveness Increased
- Competitiveness Understood and Promoted

The Results Framework, which is presented as Exhibit 1 below provides a visual overview of the SCOPE approach to implementation. SCOPE’s Results Framework was amended for Year 2 activity and as part of the amendment the technical activity number of KRAs reduced from 9 to 5. The components however remained the same.

**Exhibit 1: SCOPE Results Framework**



## SECTION II

### SCOPE APPROACH TO UGANDAN COMPETITIVENESS

#### A. Introduction

In its first year, SCOPE introduced tools for charting progress toward competitiveness such as the Stages to Competitiveness Chart, designed to guide and monitor sub sector and institutional performance. Other tools, such as the Steps to Business Planning and Cluster Development and the Business Value Chain and Support Framework, were introduced to show the steps needed for developing competitive business plans and for understanding business value chains respectively. In Year 2, SCOPE introduced use of competitiveness diamonds to support identification of critical gaps to competitiveness and definition of appropriate response strategies. Diamond analysis was used to define the specific challenges faced by each sub sector and to provide the basis for development of competitive business strategies by the private sector. SCOPE then compiled the sub sector diamonds into a Uganda Competitive Diamond designed to present a composite picture of the challenges to Uganda's competitiveness. This section provides an overview of Year 2 progress viewed both in terms of the stages to competitiveness and efforts to address constraints defined by Uganda's Competitive Diamond.

#### B. Progress through the 5 Stages of Competitiveness

**Sub Sector Progress:** In Year 1, SCOPE defined five stages through which sub sectors would have to pass on the way to building a more competitive future. Exhibit 2 below shows the progress made in each sub sector. By the end of Year 2, all eight SCOPE target areas had completed Stage 1; five of these had moved solidly into Stage 2. Floriculture continued to lead the way for the other sub sectors by moving into Stage 3.

During Year 2, SCOPE found that development and articulation of an appropriate business strategy, which is part of Stage 2, is a lengthy process when working with a complete sub sector. At the same time, SCOPE found that the process of obtaining agreement on the Stage 2 plan and its strategies leads the sub sector forward quite naturally into Stage 3. Work continued with the maize, dairy, and oilseeds sub sectors, but it was determined that, because of time and resource limitations, strategies and approaches for these sub sectors would emerge through special activities, such as the POPP model for oilseeds, rather than through the process outlined in the chart.

**Exhibit 2: Sub Sector Transformation: Cumulative Progress and LOA Target**

Subsector/ Sector	Stage 1 Subsector Positions defined	Stage 2 Business Plans developed	Stage 3 Cluster Action Plans developed	Stage 4 Cluster Action Plans Implemented	Stage 5 Clusters sustained
Floriculture	Year I	Year I	Year II	Year III	
Fish	Year I	Year II	Year III		
Coffee	Year I	Year II	Year III		



Cotton	Year I	Year II	Year III		
Tourism	Year II	Year II	Year III		
Maize	Year I				
Dairy	Year I				
Oil Seeds	Year II				

**Institutional Framework Progress:** SCOPE outlined a five-stage process designed to lead to a strengthened institutional framework for competitiveness. Both of SCOPE's two primary implementation partners, the MTCS secretariat on the public sector side and the PSFU on the private sector side, experienced organization changes that hampered their ability to implement and SCOPE's ability to liaise effectively with them. Even as SCOPE continued to work with both, it began to forge new approaches to building a strong institutional framework for competitiveness.

Overall progress with both the MTCS and the PSFU, as well as with targeted sub sector associations, was completed through Stage 2. Elements of Stages 3 and 4, as shown in Exhibit 3 below, were also put into play. In Year 3, SCOPE will build on the framework strategy developed in Stage 2, to escalate dialogue toward a more sustainable national competitiveness framework.

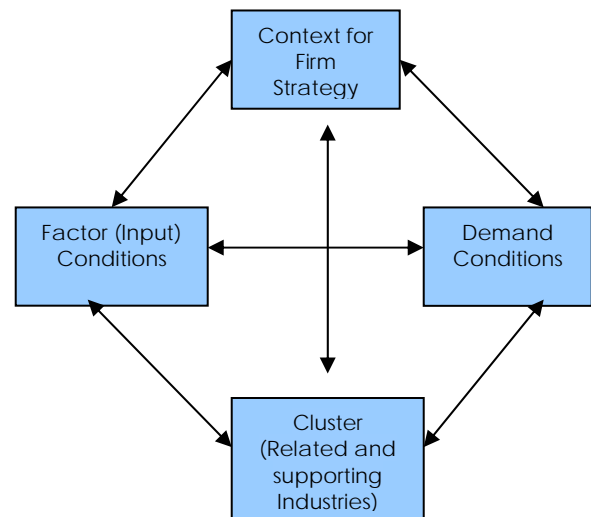
**Exhibit 3: Institutional Framework: Cumulative Progress**

Stage	Progress
<b>Stage 1</b> Framework Assessed	<ul style="list-style-type: none"> <li>• MTCS, PSFU profiled, roles and capacities reviewed</li> <li>• MTCS programs reviewed</li> <li>• Sub sector associations assessed</li> </ul>
<b>Stage 2</b> Framework Strategy Developed	<ul style="list-style-type: none"> <li>• Sub sector associations supported and roles defined in some sub sectors e.g. coffee</li> <li>• Policy Legal and Regulatory (PLR) issues identified</li> <li>• Competitiveness framework developed to focus on productive sectors</li> <li>• MTCS strategy reviewed</li> </ul>
<b>Stage 3</b> Capacities Expanded	<ul style="list-style-type: none"> <li>• MTCS capacity to analyze and report on competitiveness increased.</li> </ul>
<b>Stage 4</b> Framework Strengthened	<ul style="list-style-type: none"> <li>• Branding developed and supported</li> <li>• Focal point for competitiveness established</li> <li>• Partnerships developed</li> </ul>
<b>Stage 5</b> Framework Sustained	

## C. Uganda's Competitiveness Diamond

Originally developed by Michael Porter, the competitiveness diamond is a tool that can be used to illustrate country, sector, sub sector and/or industry strengths and weaknesses from a competitiveness perspective. During the year, SCOPE developed competitiveness diamonds to illustrate the baseline situations (2004/5) and the end of activity targets (2006) for each of SCOPE's target areas (see Annex E).

The diamond's four quadrants are interlinked and appropriate interaction needs to take place among the quadrants in order to achieve competitiveness. Exhibit 4 provides a description of the quadrants while Exhibit 5 on page 7 summarizes SCOPE's Year 2 progress toward addressing constraints to Uganda's competitiveness (Details in Annex A)



### Exhibit 4: Brief on Competitiveness Diamond Quadrants

#### Strategy Quadrant

Conditions in the strategy quadrant which affect the ability to compete include: the existing nature of rivalry and competition within industry, sub sector, or country; the potential of the industry or sub sector to contribute to national objectives and GDP; the levels of corporate sophistication and technology in play within the country; the availability of private rather than public sector-driven competitiveness strategies and plans; the presence of trade agreements and degree of trade liberalization; the existence of appropriate policies for trade, investment, financing, etc.

#### Factor (Inputs) Quadrant

The factor quadrant incorporates all physical, human, knowledge and financial resources that must be in place to support ability to operate competitively in target marketplaces. This means that such factors must be available in the right quantities and qualities, and at the right price. Factors related to the availability of appropriate physical infrastructure, as well as information technology, are also included in this quadrant.

#### Demand Quadrant

The demand quadrant encompasses conditions related to market size and structure; demand trends; levels of buyer sophistication; regulatory standards; barriers to market entry; and degree of product differentiation to support brand identification. The type and nature of demand define the ways in which an industry, sub sector, or country must organize and deploy its factor inputs (see factor quadrant) in order to package appropriate strategies for competition.

#### Cluster (Related and Supporting Industries and Entities) Quadrant

The cluster includes entities, both public and private, which have roles to play in ensuring the country's ability to move its competitiveness strategies forward. In addition to businesses operating in the value chain, the cluster includes supplier industries, financial institutions, research extension and training organizations, government regulatory agencies, etc. To move forward competitively, an industry must have all of these support entities lined up to play appropriate roles. In many cases, these roles are the ones needed to address negative factor and demand conditions.

#### D. Lessons learned

- **National Commitment.** Competitiveness needs national commitment to competitiveness principles to drive national debate, for example, with regard to allocation of national resources. Uganda's national commitment is not fully in place. For example, Uganda's current approach to budgeting is carried out in isolation from competitiveness imperatives, a fact which greatly constrains the country's ability to move more strongly from aid into trade.
- **Challenges to Private Sector Growth.** Major challenges to private sector growth are systemic and derive from the fact that although Uganda operates within a liberalized economy, the mindsets of its institutions are not yet liberalized. The thinking behind policies and programs is driven by the same individuals and thought processes responsible for former policies and programs. For example, a major challenge to private sector growth is the fact that current approaches to public sector regulation of the private sector effectively strangle the ability of the private sector to develop strong associations capable of self regulation.
- **Impact of Politics.** There is no way around politics in Uganda, particularly in an election year. Even when a project remains firmly focused on its own objectives, politics will find a way to play a role; for example, the fact that the branding campaign is being launched close to the election year lends itself to political overtones. Likewise membership in the SCOPE-facilitated Parliamentary Committee on Competitiveness will be subject to change based on election results. In this situation, SCOPE best efforts must be focused on development of specific entities, organizations, models, etc. that will stand regardless of personalities and changes in positions.
- **Private Sector Fragmentation.** Those private sector associations which do exist are formed to represent specific interests within the value chain. Achievement of competitiveness demands implementation of cross value chain approaches. SCOPE has responded by supporting the design of industry alliances.
- **Divergent Private Sector Interests.** In certain sub sectors, for example, coffee and cotton, some of Uganda's major exporters, those linked to international companies, see their futures as being almost inextricably woven with the regulatory agencies with which they operate, and with which they interact directly to get pretty much what they want. They may pay lip service to an industry association but feel that it is easier to keep things the way they are rather than worry about having a strong private sector support organization. Other companies recognize the need to have strong private sector associations to represent their interests. In this situation, putting forth a blueprint for a strong private sector association, for example in the form of an Industry Development Support Program, is perhaps the best way to spur the kind of debate and dialogue which is necessary to rekindle private sector interest in sub sector association activities.
- **Effective Reporting on Progress.** In Year 2, as part of its mid-contract internal review process, SCOPE determined that reporting on progress through the Stages of Competitiveness would tell how far sub sectors had progressed in terms of process, but would not yield insights into what was actually constraining competitiveness or successfully addressing constraints. This was the genesis of SCOPE's movement into diamond analysis and reporting, which provided a

mechanism for identifying and targeting the specific constraints that inhibit achievement of competitiveness.

- **Building Partnerships.** Dealing with challenges associated with building private-public partnerships to drive business competitiveness plans has led SCOPE to undertake a number of activities that were not envisaged at the beginning of the activity. In fact, the ability to foster effective private-public partnerships and dialogue is dependent upon having mechanisms for meaningful private-private and public-public partnerships operating within a comprehensive competitiveness framework. Uganda's lack of such partnerships, for example, strong industry associations (private-private partnerships) and inter-ministerial committees (to bring public sector institutions together) has necessitated that SCOPE adjust its work plan to support building of all types of required partnerships.

**Exhibit 5: Uganda's Competitive Diamond: Critical Gaps and Summary of Progress**

Quadrant	Progress
Strategy	<p><i>Across the board, the most immediate and critical gap in the strategy quadrant was seen to be lack of integrated, coordinated sub sector plans which would address the constraints and gaps identified in other quadrants. SCOPE took action to:</i></p> <ol style="list-style-type: none"> <li><i>1. Put business strategies and plans into place to provide competitiveness context for floriculture, coffee, cotton, fish and tourism</i></li> <li><i>2. Draft cross sector and sub sector specific (floriculture) investment package</i></li> <li><i>3. Hold continued discussions with Ministry of Finance Planning and Economic Development re the need for and characteristics of a revised investment package</i></li> </ol>
Factor	<p><i>Development of competitiveness strategies requires addressing constraints caused by, i.e., high transport costs, lack of production volumes and quality, lack of access to technical skills, and other factors which inhibit supply-side response to market demand. SCOPE has addressed the factor quadrant in the following ways:</i></p> <ol style="list-style-type: none"> <li><i>1. Developed concepts and models for organizing sustainable production units within fisheries, coffee, cotton, and oilseeds designed to result in efficient value chains linked directly to buyers/exporters/processors.</i></li> <li><i>2. Worked with financial institutions to reality test the viability of above models to serve as points for financial intermediation.</i></li> <li><i>3. Facilitated ongoing efforts of USAID, the PU, UFEA and CAA to facilitate transfer of the cold storage facility at the airport to Fresh Handling Ltd.</i></li> <li><i>4. Worked with tourism industry representatives to identify and clarify issues that make Uganda an expensive tourist destination.</i></li> </ol>
Demand	<p><i>While Uganda's current exports do not face demand constraints, Uganda lacks access to the information needed upon which to develop competitive value-added strategies. Uganda also lacks effective domestic demand-development strategies. Finally, Uganda has yet to develop approaches to brand differentiation and quality standards needed to backstop moves toward competitiveness. SCOPE's Year 2 efforts have included:</i></p> <ol style="list-style-type: none"> <li><i>1. Retrieval and assessment of market information to backstop strategy development</i></li> <li><i>2. Contribution to development of Uganda's brand name and logo and on logos in the fisheries and flowers sub sectors</i></li> <li><i>3. Use of SCOPE communications activities to raise levels of demand and awareness</i></li> </ol>
	<p><i>SCOPE's assessments show that Uganda's cluster quadrant -- where public and private sector roles are confused, private and public sector institutions are weak, and systems for cross-value chain interaction and coordination are lacking -- contains the most significant gaps from a competitiveness perspective. SCOPE Year 2 efforts to address cluster quadrant gaps included:</i></p> <ol style="list-style-type: none"> <li><i>1. Developed Industry Development Support Programs (IDSPs) for sub sector associations in</i></li> </ol>

Cluster	<p><i>floriculture and coffee designed to support their ability to generate revenues and provide more relevant services to membership.</i></p> <ol style="list-style-type: none"> <li>2. <i>Initiated discussions with PMA as champion for public sector-wide approach to commodity sub sectors and private public dialogue within the context of competitiveness plans</i></li> <li>3. <i>Developed the industry alliance concept in coffee, fisheries, grains and tourism to facilitate ability of private sector actors to work across the value chain to design competitive systems and effective industry platforms</i></li> <li>4. <i>Remained instrumental in assisting sub sectors to resolve their issues with the public sector, particularly with regard to interaction with the URA with regard to VAT and Duty Drawback.</i></li> <li>5. <i>Clarified roles for public and private sector actors within the context of competitiveness plans and strategies as basis for moving forward to defined needed private-public partnerships.</i></li> </ol>
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## SECTION III

### ACTIVITY INTERMEDIATE RESULTS: YEAR 2 PROGRESS

SCOPE's Results Framework defines 3 Activity Intermediate Results (AIRs). Each AIR has its respective Key Result Areas (KRAs), and these in turn have specific benchmarks. This section presents progress made by SCOPE in implementing the benchmarks as presented in the 2005 work plan.

#### Key Result Area 1: Clusters developed and supported

##### Benchmark 1.1: 6 Business Plans developed by 30<sup>th</sup> Sept 2005

##### **Achieved: 5 developed (cumulative)**

SCOPE completed and launched the floriculture business plan as part of Year 1 activity. In Year 2, business plans were developed for fisheries, cotton, coffee, and tourism. A sixth business strategy – for oilseeds – used a different methodology and so is not included as part of this total. In March/April, the decision was made by USAID and SCOPE that it would be best, given time and resource constraints, for SCOPE to concentrate on five high priority areas: coffee, cotton, fisheries, floriculture, and tourism. Business plan approaches were in place for all of these by the end of September.

**Benchmark 1.2: 6 Cluster Plans developed by 30<sup>th</sup> Sept 2005**

**Achieved: 1 Cluster Action Plan Developed**

Cluster action plans refer to plans put into place to set targets and responsibility centers for supporting implementation of business competitiveness plans. While elements of a cluster action plan for the floriculture sub sector have been drafted and private sector action under the business plan has moved forward, there is still need for effective private-public partnership(s) to address investment, training, research and development requirements. The formation of clusters and their related action plans requires an effectively positioned public sector champion. Cessation of MTCS activities blocked SCOPE/MTCS efforts to move forward with defining MTCS roles with regard to cluster formation and support. In Year 3, SCOPE will move the business plans into cluster action plans by working through the PMA with regard to the commodity sub sectors and with the MTI for the tourism strategy.

**Benchmark 1.3: Updated Monitoring System implemented by 12/30/04**

**Achieved: Updated Monitoring System in place**

A monitoring system that captures progress in all LOA indicators is in place. For example, as shown in the box below, progress of the floriculture sub sector against its business plan is being monitored and reported upon. The excellent results being reported by the sub sector will be even greater if and when appropriate private-public partnerships are strengthened.

### Floriculture implements Business Competitiveness Plan and exceeds Targets

Following the completion of the Floriculture Business Plan and its Launch in September 2004, flower growers under UFEA are much more focused towards achievement of the objectives articulated in the plan. Among the many achievements, the increase in the use of modern technology, defined in terms of the percentage of hectares under hydroponics, is worth special mention because of its positive impacts. Increased use of hydroponics leads to reduced use of chemicals which leads to less pollution and less contamination to the environment as well as increased productivity. The sub sector continues to register improvements in all key indicators as the table below indicates.

Indicator	2004	2005	Increase
Volume (MT)	6,484	7,500 Est.	16%
Value (US\$ million)	31.90	36.80 Est.	15%
Employment	5,779	6,238	8%
New Technology	26%	40%	14% absolute
Investment	US\$ 58M	US\$ 71M	22%

**Benchmark 1.4: US\$125,000 (cumulative Year 1 & 2) CIF funds committed in support of Cluster-defined Initiatives by 9/30/05**

**Achieved: US \$ 61,818 or 49% of the Target spent**

SCOPE has spent US \$ 61,818 or 49% of the cumulative target for Year 1 & 2. SCOPE's CIF has been used to cover expenses as shown in Exhibit 6 on the following page. Use of CIF resources will escalate in Year 3 as cluster initiatives move forward and CIF funds are increasingly used to support specific cluster-identified requirements.

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**Exhibit 6: CIF Expenditure US \$**

Item	Year 1	Year 2	Total	Share of Total
Coffee Survey	36,603.64	-	36,603.64	59%
Newsletter	-	5,466.00	5,466.00	9%
Website development	4,082.56	-	4,082.56	7%
Branding Seminars	-	5,842.52	5,842.52	9%
Branding logo and & tagline	-	7,758.90	7,758.90	13%
UCC prizes for Essay competition	-	773.64	773.64	1%
Conference (Travel Costs A. Mwenda)	-	954.25	954.25	2%
Conference (Reg. fees C. Arinanye)	-	336.00	336.00	1%
<b>Total</b>	<b>40,686.20</b>	<b>21,131.31</b>	<b>61,817.51</b>	<b>100%</b>

**B. AIR2:Private/Public Partnerships for Competitiveness increased**

AIR 2 focuses on building an overall institutional framework to support the ability of both private and public sector actors to participate meaningfully in competitiveness dialogue. It supports building private-public partnerships at all levels to remove impediments to growth. While SCOPE began Year 2 by continuing its work with the MTCS secretariat and the PSFU (as entities positioned to carry on the competitiveness agenda after the end of the SCOPE project), both the MTCS and the PSFU grappled with institutional challenges that affected their ability to carry out their programs and work with SCOPE effectively. SCOPE continued to provide technical assistance to both as needed, for example, by serving as a member of the PSFU Policy Committee. SCOPE continued its work with sub sector associations as critical private-private partnerships and potential major providers of business support services and launched efforts to introduce selected parliamentarians to the importance of using competitiveness thinking to drive the budget framework process. Finally, SCOPE assisted business leaders and their support organizations to develop the capacity to carry out effective policy, legal and regulatory advocacy in support of cluster initiatives.

**KRA 2: Competitiveness Framework Strengthened**

**Benchmark 2.1: MTCS Indicators revised to better reflect the Global Competitiveness Index Context by 9/30/05**

**Indicator achieved**

SCOPE's work with the MTCS secretariat included provision of assistance with realignment of MTCS competitiveness indicators to reflect those already in use internationally. For example, although Uganda was already participating in the Global Competitiveness Report activity of the World Economic Forum, the MTCS was not organized to monitor and report on these indicators of competitiveness. SCOPE participated in the revision of the MTCS document, particularly with regard to increasing its focus on competitiveness and benchmarking to competitiveness indicators and brokered a partnership between Makerere Institute for Social Research (MISR) and the MTCS to put into place an improved survey process that would yield more reliable and accurate data against which to initiate improved benchmarking activities.



**MTCS/MISR Partnership yields improved Input to Global Competitiveness Survey**

A key factor in determination of Uganda's ranking within the Global Competitiveness Index (GCI) is an Executive Opinion Survey which is carried out yearly in each participating country. This survey is carried out among business leaders operating in key sectors of a country's economy. Examination showed that earlier rankings for Uganda (2002/3 and 2003/4) were flawed processes; for example, interviewees were from the central region and did not represent, on a proportional basis, sector share of GDP. With support from SCOPE, MISR and MTCS developed a sample of firms representative of GDP and carried out survey activities in all regions of the country. The 2005 GCR arising out of this activity ranked Uganda as the 87<sup>th</sup>, a lower position than the previous year position which was 79. The 2005 position though lower provides a better baseline for MTCS efforts since it involved a better sample. MTCS will henceforth monitor and report on indicators of competitiveness.

**Benchmark 2.2: 6 Sub Sector Industry Development Support Programs (IDSP) developed by 9/30/05**

**Achieved: 5 IDSPs developed**

Industry Development Support Programs are strategic plans with a twist. They focus on identifying organization growth strategies that build the ability of sub sector associations to function as successful – and sustainable – private-private partnerships. The IDSPs link the growth and revenue generation possibilities for sub sector associations to the work of building the marketplace competitiveness of the sub sector itself. During the year, SCOPE developed industry support strategies for 5 sub sector associations: UFEA (flowers); UCTF (coffee); UDPA (Dairy); AUTO (tour operators); HCAU (hotel and catering industry). SCOPE intends to place major focus on moving forward with these IDSPs and others (e.g. UFPEA (fish processors) and UGIA (Uganda Grain Industry Alliance) in Year 3.

### KRA 3: Policy, Legal and Regulatory Issues addressed

#### Benchmark 3.1: 6 Private-Public Partnerships formed and in operation by 6/30/05

##### Achieved: 3 Partnership Areas identified

SCOPE identified three partnerships as necessary to support implementation of the National Floriculture Business Competitiveness Plan. These were: finance and financial services, infrastructure support & investment, and training, research and development. In moving forward with these partnerships in Year 2, two things became apparent. The first was that the same partnerships would be needed to drive all SCOPE's target sub sectors; the second was that there was no workable public-public partnership in place to facilitate government ability to address competitiveness issues across ministerial and other public sector boundaries. Given this void, SCOPE adjusted its strategies to focus on developing public sector champions able to provide public sector support for the private-public partnerships that will be required to drive plans forward. SCOPE anticipates that this benchmark will be achieved and exceeded Year 3.

#### Benchmark 3.2: 5 Issues Papers developed in support of Cluster Action Plans by 9/30/05

##### Achieved: 4 Issues Papers developed to highlight issues that hamper Competitiveness

SCOPE's place priority focus on working closely with private sector representatives from its target sub sectors to identify and address the policy, legal, and regulatory issues that most constrain their ability to compete. During Year 2, SCOPE worked with leaders in the coffee, floriculture, tourism, and fisheries sub sectors to identify and address PLR issues that raise the cost of doing business and otherwise inhibit the ability of the sub sector to compete. In addition to sub sector issues papers, SCOPE has identified and developed a matrix of cross-cutting issues that inhibit competitiveness and economic growth. These papers will be further developed, and others added in Year 3.

#### PLR Support: a Critical SCOPE Service

With the assistance of SCOPE, the private sector in the flower, coffee, and cotton sub sectors, successfully engaged with the URA on issues related to duty drawback, import duty, and VAT. SCOPE assisted Fresh Handling Ltd, the company running the cold store used by Uganda's horticulture and fisheries industries, to have its account released after it had been frozen (wrongly) by the URA for VAT arrears. With SCOPE support, Fresh Handling and UFEA prepared a position paper on the issue of charging VAT on handling services; SCOPE then facilitated meetings between the users of the cold store, URA officials from the tax policy department of the Ministry of Finance Planning and economic Development (MoFPED). SCOPE has begun efforts with tourism entities to clarify the PLR issues associated with the fact that tourism operates as an invisible export. In Year 3, these efforts will continue, with SCOPE focus on finding and putting into place mechanisms through which issues can be identified and addressed on a continuing basis.

### **Benchmark 3.3: 6 Association Advocacy Programs developed in support of Cluster Activity**

#### **Achieved: 5 Association Advocacy Programs in Draft form**

Effective representation of their business interests is one of the major reasons why companies join industry associations. For the most part, they realize that by working together and speaking with one voice, they are more likely to be heard and to be heard in ways that result in action. The challenge for most of Uganda's sub sector associations is the fact that they don't have the capacity to build and carry out effective advocacy programs. For most of Uganda's private sector associations, the structuring of effective advocacy activities requires access to expertise – and time – that is outside of the purview of voluntary leaders who are, of necessity, focused on running their own businesses. In Year 2, SCOPE addressed this situation in three ways. First, the core program within all SCOPE-facilitated IDSPs (flowers, coffee, dairy, and two tourism associations) is a policy and advocacy program which outlines specific approaches to formation of effective advocacy platforms. Second, the IDSPs outline institutional development programs which call for appointment of professional managers to drive the activities of sub sector associations within the framework of plans which will build capacity of sustainable operation. Third, for the tourism, fisheries, grains, and coffee sub sectors, SCOPE has introduced the concept of industry alliances, which will support the ability of the private sector to develop effective industry-wide advocacy platforms.

### **C. AIR 3: Competitiveness understood and promoted**

Communication is a critical factor in competitiveness and SCOPE targets a number of audiences, including the public sector, business, the general public, and the media. AIR 3 performance benchmarks and progress targets are given below. SCOPE activity also supports increasing Uganda's ability to take advantage of trade position through branding and development of a trade benchmarking report which will enable Ugandan investors to take advantage of the various trade agreements to which Uganda is a signatory. The progress of AIR 3 benchmarks is given below.

#### **KRA 4: Awareness of Uganda's Competitiveness Potential increased**

#### **KRA 4: Awareness of Uganda's Competitiveness Potential increased**


### **Benchmark 4.1: 2 Association Communications Programs underway by 9/30/05**

#### **Achieved: 3 Support Programs**

As part of the communications strategy, SCOPE supported associations to carry out strategic assessments of their communications needs and provide technical support in the areas of design and implementation of communication programs, conduct of media relations, and preparation of newsletters, brochures, and newspaper supplements. Throughout the year, SCOPE effectively worked with UFEA, UFPEA and UCTF on these issues.

## CompeteUganda! Newsletter and Website appreciated by Target Audience

*The competeUganda!*, website and quarterly newsletters have been a major thrust in promoting competitiveness awareness.

	<p>By the close of the year, the competitiveness website <a href="http://www.competeuganda.org">www.competeuganda.org</a> had registered 1,068 cumulative hits since January 2005</p> <p>SCOPE published 4 editions of the newsletter during the year:</p> <p><b>1<sup>st</sup> Edition: Oct-Dec 2004</b> Focused on competitiveness concepts, definitions and wealth creation vs poverty reduction.</p> <p><b>2<sup>nd</sup> Edition: Jan-Mar 2005</b> Focused on issues of mindset change, and discussion of the competitiveness awareness survey findings, coffee</p> <p><b>3<sup>rd</sup> Edition: Apr-Jun 2005</b> Covered issues on cotton, floriculture and the introduction of UCC</p> <p><b>4<sup>th</sup> Edition: Jul-Sep 2005</b> Focused on tourism, taxation and markets</p>
	

The newsletter has been greatly appreciated by the target audience as indicated by the comments below.

***“.... It makes very interesting reading and I request you to send more copies for the Library especially”*** Joseph Sengooba, Public Relations Officer, Uganda Matrys University Nkozi

***“We are sure our staff will benefit a lot from this newsletter and we expect to receive many more from you”*** Willy Odwongo, Director Plan for Modernization of Agriculture Secretariat

***“You should be pleased to know CompeteUganda is a very informative newsletter. MISR library users and the entire staff always enjoy reading it”*** Mr. P Mulindwa Ag. Director MISR, Makerere Univeristy

***“.... Let me hope that this bulletin becomes an eye opener for all us as we look for value for money in eco tourism....”*** J. Kizito Mayanja. Uganda Coffee Development Authority

**Benchmark 4.2: 10 Media Organizations regularly contributing to Competitiveness Dialogue as evidenced through Coverage Levels**

**Achieved: 4 Media Organizations**

In Year 2, SCOPE regularly engaged and used four media organizations, namely, KFM radio, Uganda Television, the New Vision, and the Monitor newspapers because these were the most influential in terms of competitiveness messages. SCOPE also received coverage and support from other participants in the media cluster, but on a less regular basis. Essentially, SCOPE determined that it would have more impact by working on a continual basis with these four major media organizations than it would have by trying to engage others. While it would have been possible for SCOPE to get 10 media organizations contributing to dialogue by paying for such coverage, SCOPE determined that it would be a better use of resources to concentrate on working with the media leaders to keep competitiveness issues “newsworthy” and important to cover – without having to pay for such. SCOPE will expand coverage in Year 3 by holding a series of media activities around particularly newsworthy, competitiveness-related topics.

**Benchmark 4.3: 2 Regional Dialogue Activities initiated by 9/30/05**

**Achieved: 4 Regional Dialogue Activities**

Regional competitiveness dialogue continued throughout 2005, beginning in the first quarter with OTF re Competitiveness Awareness survey in Central Region (Kampala), Western region (Mbarara) and Northern region (Lira). In April 2005 the dialogue was expanded to include the Eastern region (Mbale). The regional workshops were held to increase competitiveness awareness and discussion amongst rural-based stakeholders. The workshops focused on communicating the findings of the 2004 Competitiveness Awareness Survey, discussion of Uganda’s competitiveness context, globalization and the Global Competitiveness Report (GCR). In addition the Global Competitiveness Index (GCI) survey 2005 was administered to the

**Benchmark 4.4: 2 University Competitiveness Programs under active implementation by 9/30/05**

**Achieved: 1 University Competitiveness Club launched**

In February 2005, a University Competitiveness Club (UCC) was launched in Uganda Martyrs University, Nkozi with 65 members. The Nkozi University students were introduced to competitiveness and engaged in competitiveness dialogue throughout the year. The students had familiarization tours of four enterprises that SCOPE works with, namely; Dairy Corporation Ltd in the dairy subsector, Intercontinental Fisheries and Green Fields fisheries in the fisheries subsector and Rosebud flower farm in the floriculture subsector. An essay competition was commissioned in May 2005. A second UCC will be underway during Year 3.





A student of Nkozi University seeks further clarification on competitiveness at one of the competitiveness public lectures that took place at Nkozi University during the year.



John Engle, Managing Director, SCOPE gives the winner's prize to Frank Kyomuhendo who wrote the best essay on competitiveness in May 2005.

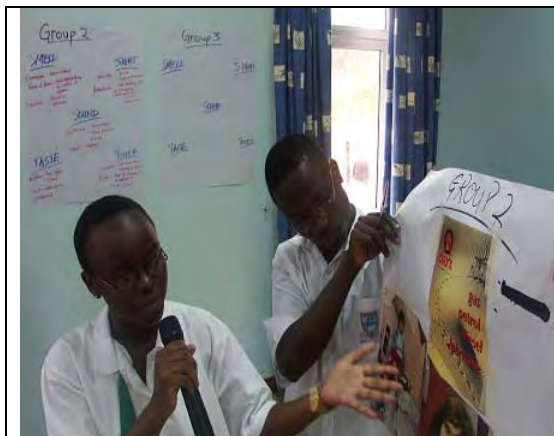
## KRA 5: Uganda's ability to take advantage of Trade Positions increased

### Benchmark 5.1: 1 National Branding activity underway by 12/30/04

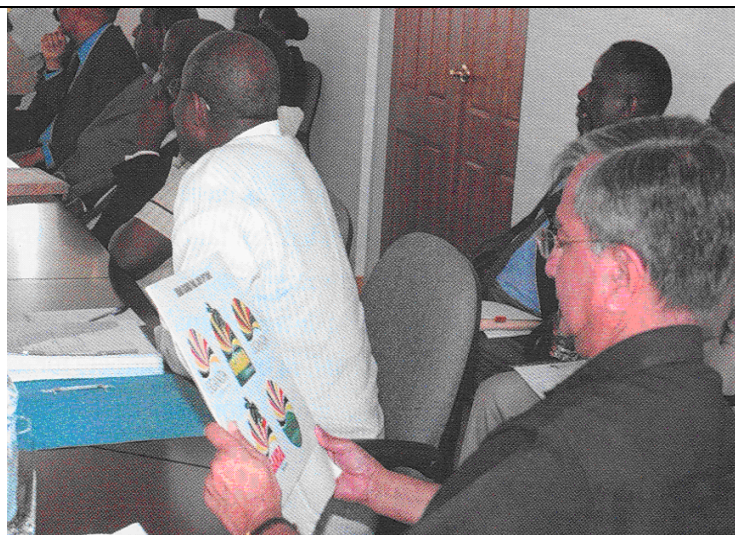
#### **Achieved: Uganda's National Brand Logo and Tagline developed**

SCOPE contributed greatly to Uganda's new brand's Uganda; Gifted By Nature in the following ways

- Engaging school children from over 23 schools in all regions in Uganda to obtain the brand values which were used as background information by the brand agency that developed the logo and tagline.
- Identifying, facilitating development of the tagline and logo, in cooperation with major international advertising agency
- Supporting Ministry of Foreign Affairs and Ministry of Tourism Trade and Industry (MTI) in preparations for the brand launch on CNN
- Providing technical support for development of a brand management company



"What does Uganda smell/sound/taste/look like?" SCOPE engages secondary school children to identify Uganda's brand values.



Hassan I Rizvi of Mukwano Industries studies the various logo concepts at one of the stakeholders' consultative meetings at the Ministry of Foreign Affairs to select Uganda's new logo and tagline.

**Benchmark 5.2: Uganda Trade Agreement Benchmarking Report prepared and distributed by 12/31/04**

**Achieved: Draft Report completed in May 2005**

The draft trade benchmarking report was completed by the subcontractor, International Law Institute (ILI) earlier in the year, but SCOPE felt that additional work was needed to prepare the material in a user-friendly manner. In addition, SCOPE had originally determined to launch the report through the MTCS as yet another way to highlight the importance of benchmarking Uganda to its performance under the trade agreements to which it is signatory. With the closure of the MTCS, SCOPE will publish and disseminate the report in November 2005. This will be part of a series of workshops that will be held with support from the sub contractor, International Business Institute (IBI), with key champion ministries (MAAIF and MTI), the private sector and a selected group of parliamentarians to focus on the challenges facing Uganda with regard to taking advantages of its trade agreements and the benefits of using competitiveness thinking to address those challenges.

**Benchmark 5.3: 4 Subsector Trade Agreement Opportunity Profiles prepared and distributed by 9/30/05**

**Achieved: 4 Sub Sector Trade Agreement Opportunity Profiles Developed**

A key aspect of analysis carried out for the trade agreement report mentioned above was to look specifically for opportunities for Uganda to take advantage of its market access in critical sub sectors. Preliminary work has been done to look at opportunities in coffee, cotton, maize, and fish. As a result of a series of special workshops, these draft profiles will be expanded and published by the end of December 2005.

**Benchmark 5.4: 2 Commodity Branding Activities identified and supported by 9/30/05**

**Achieved: 1 Commodity Brand Developed and Supported**

SCOPE assisted in the development of Greenfields Fisheries Ltd. logo and tagline **"Kyoga Wild"**. SCOPE has found that many private sector companies lack awareness of the importance and potential for branding. The launching of the national brand and the work being done by SCOPE under various Industry Development Support Programs, all of which call for implementation of quality, export standards and branding activities, will result in further commodity branding activities in Year 3.

**D. Program Management and Administration**

The SCOPE office administrative and management staff continued to work closely with the Chemonics International Inc. home office Project Management Unit (PMU) to maintain systems for contract management and to provide adequate and timely support for all SCOPE activities. Specific activities included;

**Key Result Area 6: Operations Support Provided**

**Benchmark 6.1: Monthly invoices, LOE employed statements, and subcontractors LOE employed statements submitted to USAID by 20th of following month**

**Achieved:**

Monthly invoices, LOE employed statements, and subcontractors LOE employed statements submitted to USAID by 25th of following month.

**Benchmark 6.2: VAT Refund claims submitted to USAID in required format by 9/30/05**

**Achieved:**

VAT refund claims are in final stages of compilation and are yet to be submitted to USAID.

**Benchmark 6.3: Property report submitted to USAID by 9/30/05**

**Achieved:**

Property report submitted to USAID



## SECTION IV

### SCOPE LIFE OF ACTIVITY INDICATORS: YEAR 2 PROGRESS

As part of project implementation, SCOPE captures the progress made by the various SCOPE indicators at the goal, sub-objective and Intermediate Result (IR) levels towards strengthening private sector competitiveness. A deep analysis comparing the baseline information to achievements in 2005 is carried out in this part of the report.

#### A. Scope Life of Activity Indicators: Progress Summary

Table 4.1: Summary of SCOPE LOA Indicators: Targets & Progress

Indicator	Indicator Name	LOA Target	Outcome Year 1	Outcome Year 2	% of LOA Target achieved
3	Number of on- and off-farm jobs created	2,500	0	1,115	45%
4	Number of on- and off-farm enterprises created	50	0	29	58%
S1	Percent change in value of targeted commodities marketed	40%	31%	45%	113%
S2	Percent change in volume of targeted commodities marketed	30%	33%	18%	60%
1.1	Percent change in cluster share of targeted markets	50%	0%	68%	136%
1.2	Percent change in gross cluster revenue	35%	0%	44%	126%
1.3	Percent change in investment in clusters	15%	0%	9%	60%
1.1.1	Number of cluster action plans developed	5	1	0	20%
1.1.2	Percent change in cluster membership	150%	56%	328%	219%
1.2.1	Number of cluster action plans implemented	1	0	1	100%
1.2.2	Percent change in business participation in clusters	150%	0%	75%	50%
2.1.1	Focal point for competitiveness established	Yes	Yes	Yes	100%
2.2.1	Number of key policy and regulatory constraints alleviated	15	3	6	60%
2.2.2	Number of key policy and regulatory constraints addressed	30	34	49	163%
3.1	Change in cluster business leaders rating of business environment	10%	0%	7%	70%
3.2	Number of clusters formed outside SCOPE	4	0	0	0%
3.1.1	Number of Uganda brands in target markets	4	0	2	50%
3.1.2	Number of competitiveness communications	160	27	56	52%
3.2.1	Percent change in trade volume within selected agreements	10%	0%	-39%	-3.9%

## B. SO7 Goal Indicators

The goal indicators contribute directly to USAID's Strategic Objective 7 which relates to: "Expanded Sustainable Economic Opportunity for Rural Sector Growth" and SCOPE has 2 goal indicators as indicated below.

### Indicator 3: Number of On and Off-farm Jobs created

Jobs generate additional income for the rural communities; who achieve increased purchasing power and this increases their demand for locally produced goods and services which in turn increases the competitiveness of the sub sectors.

LOA Target	2005 Target	Achieved	Remarks
2,500	1,000	1,115	<p>The new jobs amounted to 1,115 against a target of 1,000 for the year, a 115% performance. These new jobs were mainly from the fisheries and the floriculture subsectors. The fisheries subsector registered the largest number of new jobs.</p> <p>Table 4.2 shows a break down of jobs by subsector. In dairy one company closed due to low quality machinery it had procured that was causing them losses while in grain a number of enterprises did not carry out business this year due to poor quality of the crop arising out of unexpected bad weather and hence there were no overall new jobs in these subsectors.</p>

Table 4.2: New Jobs

Subsector	LOA Target	New Jobs by 2005	% Female	% LOA target achieved
Coffee	190	4	40%	2%
Cotton	200	48	5%	24%
Floriculture	1,010	504	59%	50%
Dairy	150	-	-	-
Fish	550	553	30%	101%
Grain	100	-	-	-
Oil seeds	100	-	-	-
Tourism	200	6	33%	3%
<b>Total</b>	<b>2,500</b>	<b>1,115</b>	<b>33%</b>	<b>45%</b>

These are new jobs from SCOPE clusters.

It is important to note that while the statistics indicate an overall increase in jobs in 2005, some individual enterprises, especially those that did not expand their capacity, reduced their employees as they became more efficient. One company in dairy for instance cut down its staff by half by changing the way they do things. While before they used to employ people to go to the villages to collect the milk, they currently buy milk from one supplier who owns a cooler. Competitiveness (productivity, efficiency and innovation) in this case did not imply more jobs for this particular enterprise.

#### Indicator 4: Number of On and Off-farm Enterprises created

This includes new, revitalized and restructured firms. New enterprises lead to increased demand for raw materials which are produced by the rural population and this therefore contributes directly to sustainable economic opportunity for rural sector growth.

LOA Target	Period Target	Achieved	Remarks
50	25	29	The fisheries and tourism subsectors registered the largest number of new enterprises. (See Table 4.3 below) Increased enterprises in fisheries is good for rural growth since fishing is mostly a rural activity and hence increased enterprises lead to increased demand for raw materials which implies increased revenue for the rural communities.

**Table 4.3: New Enterprises**

Subsector	LOA Target	New enterprises by 2005	% SLOA target achieved
Coffee	3	1	33%
Cotton	3	2	67%
Floriculture	4	2	50%
Dairy	11	-	0%
Fish	4	10	210%
Grain	10	1	10%
Oil seeds	5	1	20%
Tourism	10	12	120%
<b>Total</b>	<b>50</b>	<b>29</b>	<b>58%</b>

Source: Uganda Investment Authority (UIA), Uganda Fish Processors and Exporters Association (UFPEA), Uganda Flowers Exporters' Association (UFEA)

#### C. Sub-objective Indicators

SCOPE activity seeks to expand competitiveness at the international, regional, and domestic levels. SCOPE works with the selected subsectors to increase the volumes and values of commodities marketed. SCOPE has two indicators that measure Uganda's competitiveness and these are analyzed below

#### Indicator S 1: Percent Change in Value of Targeted Commodities exported

The value of commodities marketed is a measure of a country's competitiveness as well as a major step towards increasing rural incomes. SCOPE's private sector working groups/clusters comprise mainly of exporters and hence the value marketed for most commodities refers to exports.

LOA Target	Period Target	Achieved	Remarks
40%	27%	43%	The value of commodities marketed (exported) in 2005 increased by 45% from the baseline. Increases were highest in coffee, cotton and fish. (Table 4.4 shows the raw data by subsector).

**Table 4.4: Value of Targeted Commodities Marketed (US \$ million)**

	Baseline	Value 2004	Value 2005	2005 Growth from Baseline
Coffee	100.23	124.24	149.59	49%
Cotton	17.75	42.76	31.26	76%
Dairy	0.81	0.9	1.2	48%
Fish	87.48	103.31	123.39	41%
Floriculture	26.53	31.90	36.80	39%
Grain (maize & beans)	18.96	26.86	21.94	16%
Oil seeds	2.18	2.79	3.00	38%
Tourism	N/A	N/A	N/A	
<b>Total SCOPE Subsectors</b>	<b>253.95</b>	<b>332.76</b>	<b>367.18</b>	<b>45%</b>
<b>Growth from Baseline</b>		<b>31%</b>	<b>45%</b>	
<b>Growth Target</b>		<b>13%</b>	<b>27%</b>	

Source: Uganda Bureau of Statistics (UBOS) Uganda Export Promotions Board, (UEPB), Uganda Flower Exporters Association, Uganda Coffee Development Authority.

Notes: These are national figures and are subject to adjustment. Uganda Bureau of Statistics; the national statistics body adjusts national figures periodically to cater for omissions and commissions as they do data clean up. Nevertheless, the adjustments are usually slight.

## S 2: Percent Change in Volume of Targeted Commodities Marketed

The total volume of goods marketed signifies competitiveness. Given that SCOPE subsectors are agricultural based, these increased volumes imply increasing revenues (other things remaining constant) to the rural farmers who form the core of production and hence it is an important step towards increasing rural incomes.

LOA Target	Period Target	Achieved	Remarks
30%	20%	18%	Volumes marketed increased in all subsectors with highest increases in fisheries and cotton. Coffee registered low growth and this is attributed to the coffee wilt disease and unfavorable weather.

**Table 4.5: Volume of Targeted Commodities Marketed (Tonnes)**

	Baseline	Volume 2004	Volume 2005	2005 Growth from Baseline
Coffee	146,299	159,983	149,934	2%
Cotton	16,762	29,293	31,652	89%
Dairy	599	628	719	20%
Fish	26,301	31,808	35,604	35%
Floriculture	5,636	6,400	7,500	33%
Grain (maize & beans)	62,105	116,809	80,217	29%
Oil seeds	4,108	4,283	4,468	9%
Tourism	N/A	N/A	N/A	N/A
<b>Total SCOPE Subsectors</b>	<b>261,810</b>	<b>349,204</b>	<b>310,094</b>	<b>18%</b>
<b>Growth from Baseline</b>		<b>33%</b>	<b>18%</b>	
<b>Growth Target</b>		<b>10%</b>	<b>20%</b>	

Source: Uganda Bureau of Statistics (UBOS), UFEA

Notes: These are national figures and are subject to adjustment. Uganda Bureau of Statistics adjusts national figures periodically to cater for omissions and commissions. Nevertheless, the adjustments are usually slight.

## D. AIR 1 Indicators

AIR 1 indicators relate to increased private sector competitiveness through SCOPE's efforts to facilitate business leaders to identify cluster opportunities, set market targets, define business strategies, expand the cluster to include supporting organizations and suppliers, prepare and implement action plans.

### Indicator 1.1: Percent Change in Subsector Share of Targeted Markets

Market share growth is an indicator of a country's improved ability to compete and a measure of competitiveness. Increased market share results from increased volumes and values of commodities.

LOA Target	Period Target	Achieved	Remarks
50%	33%	68% (weighted) Various levels achieved (Table 4.6)	Coffee increased its market share from a baseline of 1% to 1.36% and is on the way to achieving its LOA target, while Uganda's cotton linters, flowers, and oil seed market shares exceeded LOA targets. (Table 4.6 below) Fisheries and maize market shares however declined.

**Table 4.6: Share of Uganda's Market Share in Targeted Markets**

	Baseline Market Share	LOA Target	Uganda's Current Market Share to World Exports	% Growth from Baseline	Percentage of LOA target achieved
Coffee	1%	1.5%	1.36%	36%	91%
Cotton (linters)	3%	4.5%	7.78%	159%	173%
Dairy	0.03%	0.045%	0.9%	200%	200%
Fish	1%	1.5%	0.96%	-4%	64%
Floriculture	0.3%	0.45%	0.61%	103%	136%
Grain (maize)	0.3%	0.45%	0.23%	-23.3%	51%
Oil seeds	0.09%	0.14%	0.37%	308.9%	264%
Tourism	N/A	N/A			
Overall weighted*	1.12%		1.89%	68%	136%

Notes: Baseline market share is based on International Trade Centre (ITC) Trade Map data

Current market share is obtained from the ITC Trade Map. [www.trademap.net](http://www.trademap.net) and is for 2004 calendar year.

\* Weighted based on the following sub sector weights (coffee =37%; cotton=13%; dairy = 0.3%; Fish = 31%, Floriculture = 10%, Maize = 8%, and oil seeds = 1%).

### Indicator 1.2: Percent Change in Gross Cluster Revenue

This is the change in gross receipts from the sales of products both on the domestic and international markets. For some part of the cluster the gross revenue is the same as their value of commodities marketed (exported) and this is apparent mostly in fisheries and floriculture where exports account for 100% revenue.

LOA Target	Period Target	Achieved	Remarks
40%	27%	44%	Table 4.7 shows gross revenue in SCOPE subsectors.

**Table 4.7: Gross Revenue**

Subsector	Baseline USD million	Gross revenue 2004	Gross Revenue 2005	Percent 2005 over Baseline
Coffee	105.24	130.45	157.07	49%
Cotton	19.44	47.04	34.24	76%
Dairy	22.89	25.43	33.91	48%
Fish*	87.5	103.31	123.42	41%
Floriculture*	26.53	31.90	36.80	39%
Grains	34.93	49.48	40.42	16%
Oil seeds	N/A			
Tourism	N/A			
Total	296.53	387.61	425.86	44%
<b>Growth from Baseline</b>		<b>31%</b>	<b>44%</b>	

\*Same as their export revenue since the cluster export 100% of their production; the rest include domestic sales.

### Indicator 1.3: Percent Change in Investment in Clusters

Investment is expected to grow as competitiveness and gross revenue increase. The subsector becomes more attractive to new investors and in addition, the existing enterprises themselves increase their level of investments to cope with increasing international and local demand.

LOA Target	Period Target	Achieved	Remarks
15%	10%	9%	A number of companies increased their investment. Floriculture registered the largest increase in investment of 22% from US \$ 58 million to US \$ 71 million. In floriculture investment was mainly in increased use of hydroponics as well as expansion of existing facilities. The number of hectares under floriculture increased by 39% from 165 hectares in 2004 to 229 hectares in 2005. In dairy most additional investment was in the areas of trucks and coolers.

**Table 4.8: Investment (USD million)**

Subsector	Baseline Investment (USD million)	Additional Investment to date	Total Investment to date (2005)*	% Change from Baseline
Coffee	4.0	0.56	4.56	14%
Cotton	57.0	4.54	61.54	8%
Dairy	5.5	0.25	5.75	5%
Floriculture	58.1	13	71.1	22%
Fish	51.0	8.68	59.68	17%
Maize	7.6	-	7.6	0%
Oil seed	120	-	120	0%
Tourism	N/A			
Total	303.2	27.03	330.23	
<b>Growth from Baseline</b>			<b>9%</b>	
<b>Growth Target</b>			<b>10%</b>	

Source: Enterprises

#### Indicator 1.1.1: Number of Cluster Action Plans Developed

The action plans in all SCOPE target areas define targets for attaining increased volumes and higher values of the target commodities and services, ways of accessing new markets, increasing investment, as well as creation of jobs.

LOA Target	Period Target	Achieved	Remarks
5	2	1 developed in Year 1	One action plan was developed for floriculture during Year 1. Action plans (stage 3) for fish, coffee, cotton and tourism will be under way during Year 3.

#### Indicator 1.1.2: Percent Change in Cluster Membership

As clusters develop and mature they attract members and hence membership increases. Enterprises that offer support to the subsector as well as the relevant public sector agencies get incorporated. SCOPE took June 2004 as the baseline for this indicator. The clusters have grown as indicated below.

##### Cluster Membership

LOA Target	Period Target	Achieved	Remarks
100%	50%	328%	The number of cluster members has more than doubled from 84 members as of September 2004 to 231 in September 2005, as the clusters expand to incorporate more players along the value chain, supporting industries and the key public sector players. Major increases are noticeable in fisheries as the cluster expanded to include fish farmers (aquaculture). All the other subsectors registered major increases mainly by inclusion of support industries and public sector players. (See Table 4.9 below)

Table 4.9: Cluster Members by Subsector

	Members Jun 2004	Members Sep 2004	Members Sep 2005	% Female	Categories involved
Coffee	6	12	19	5%	Traders/Exporters/Farmers/public sector
Cotton	8	8	24	9%	Lead ginners/Farmers/public/banks
Dairy	10	18	22	14%	Dairy processors (various products) /Farmers
Fish	2	11	44	14%	Processors/Exporters/Aquaculture/public sector
Floriculture	18	18	44	7%	18 Growers/Exporters/input suppliers/public sector
Maize	6	13	33	3%	Traders/Millers/Exporters
Oil seeds	2	2	4	20%	UOSPA,/VODP/Oil seed manufacturer
Tourism	2	2	41	39%	Tour and travel, airlines rep, hotel
<b>Total</b>	<b>54</b>	<b>84</b>	<b>231</b>	<b>16%</b>	
Percent growth from baseline			328%		

#### Indicator 1.2.1: Number of Action Plans Implemented

An action plan forms the core of the business plan as it charts the way towards achieving competitiveness goals.

LOA Target	Period Target	Achieved	Remarks
1	1	1	During Year 2, SCOPE together with the floriculture cluster made great headway in implementing the floriculture cluster action plan activities (Stage 4). Major successes were registered including creation of new jobs, increased use of hydroponics from 26% to 40%, among others.

#### Indicator 1.2.2: Percent Change in Business Participation in Clusters

It is envisaged that as clusters become effective they attract business participation particularly from supporting businesses that provide services or value added.

LOA Target	Period Target	Achieved	Remarks
150%	100%	88%	The number of supporting businesses that provide services and value addition to the SCOPE clusters increased from 16 in year 1 to 30 in Year 2. (See List below: new participants shaded) New additions in 2005 include fish feeds manufacturers, research and Training institutes as well as the advertising group.

#### List of participating Support Industries

<b>Packaging</b> <ol style="list-style-type: none"> <li>Mulbox</li> <li>Maaks packaging</li> <li>Packaging Products Uganda</li> <li>Reiley Industries</li> </ol>	<b>Input suppliers</b> <ol style="list-style-type: none"> <li>Uchumi Commodities</li> <li>Balton Uganda Limited</li> <li>Lipsun (Uganda) Limited</li> <li>Promaco (for cheese/dairy inputs)</li> <li>Greenhouse Ltd (for flowers)</li> <li><i>Ugachick (fish feeds)</i></li> <li><i>Mukwano (fish feeds)</i></li> <li><i>FICA seeds</i></li> </ol>
<b>Finance</b> <ol style="list-style-type: none"> <li>Standard Chartered Bank Ltd</li> <li>Stanbic Bank (U) Ltd</li> <li>Crane Bank (U) Ltd</li> <li>Centenary Rural Development Bank</li> <li>Barclays Bank Uganda Limited</li> </ol>	<b>Transportation</b> <ol style="list-style-type: none"> <li>Interfreight Uganda Limited</li> <li>Transami Uganda Ltd</li> </ol>
<b>Research and Training</b> <ol style="list-style-type: none"> <li><i>Makerere University</i></li> <li><i>Kawanda Research Institute</i></li> <li><i>National Agricultural Research Organisation (NARO)</i></li> <li><i>National Agriculture Advisory Services (NAADS)</i></li> </ol>	<b>Advertising</b> <ol style="list-style-type: none"> <li><i>QG Satchi &amp; Satchi</i></li> <li><i>Terp Group</i></li> <li><i>Moringa Ogilvy</i></li> <li><i>Lowe Scanad Uganda</i></li> <li><i>Camerapix</i></li> <li><i>ZK advertising Uganda Ltd.</i></li> <li><i>Red Sky</i></li> </ol>



## F. AIR 3 Indicators

AIR 3 activities relate to increasing competitiveness awareness through increased dissemination of competitiveness information as well as increasing the ability of Ugandan business community to take advantage of trade positions. Indicators related to AIR 3 are analyzed below.

### 3.1. Change in Cluster Business Leaders Rating of the Business Environment

This is a direct rating by business leaders of the micro environment in which they operate. It is envisaged that as the competitiveness framework is strengthened and as Uganda becomes more competitive, improvements in the business rating of the environment should be apparent.

During the year, SCOPE together with MISR and MTCS organized workshops in Kampala, Mbarara, Mbale and Lira to ensure balanced regional participation in the Global Competitiveness Index (GCI) survey that was used to rank Uganda in the Global Competitiveness Report (GCR) 2005. According to the Global Competitiveness Report (GCR) 2005, Uganda's position has declined from the 79<sup>th</sup> in 2004 to the 87<sup>th</sup> in 2005. This position though lower than the previous year, shows a true representation of how the whole of Uganda perceives the business environment. Earlier on the survey was unbalanced as it captured perceptions from the central region, which has a better business environment than most parts of Uganda. Business men from different regions perceive the environment differently because the environment differs across the regions and therefore the 2005 ranking provides a realistic baseline to measure Uganda's progress in future.

SCOPE administers a similar survey to establish how the business leaders that SCOPE works with perceive the environment. SCOPE works with these business leaders to improve the business environment and hence it is important to establish if their business environment has improved due to SCOPE planned intervention. The CGI has three major components in the areas of macro economic environment, public institutions and information technology.

LOA Target	Period Target	Achieved	Remarks
10%	6.6%	7%	The score on the macro economy improved from 4.2 in 2004 to 4.5 in 2005, a 7% increase. Technology improved from 3.6 to 4.1, a 14% improvement while public institutions declined from 2.8 to 2.6, a negative growth of 7%. Overall (combining the 3 indices) there was an increase of 7% from 3.5 in 2004 to 3.73 <sup>3</sup> in 2005.

<sup>3</sup> The index has a maximum of 7 (the best/most competitive) and a minimum of 1 for the worst. 3-4 implies average.

### Constraints to Competitiveness 2005 vs 2004

Four out of the top five constraints to competitiveness in 2004 remained on the list for 2005, with few changes in the positioning. Access to finance still remained the number one impediment to competitiveness in both years. Corruption was replaced with foreign currency issues in 2005 possibly due to the highly fluctuating exchange rate that Uganda has experienced during the year.

Top 5 constraints 2004	Top 5 constraints 2005
1. Access to Finance	1. Access to Finance
2. Inadequate Infrastructure	2. Government bureaucracy
3. Government Bureaucracy	3. Inadequate infrastructure
4. Tax Rates	4. Tax rates
5. Corruption	5. Foreign currency issues

### Indicator 3.2: Number of Clusters formed Outside SCOPE

Imitation was envisaged to occur as a result of SCOPE activities in clusters. This indicator captures the number of clusters formed independent of SCOPE.

LOA Target	Period Target	Achieved	Remarks
4	4	0	The PSFU is still working on the establishment of clusters under the four main arms; i.e. the manufacturing, services, tourism and the agriculture clusters. Implementation is expected to take place during Year 3.

### Indicator 3.1.1: Number of Uganda Brands in Target Markets

Name recognition is key to increasing competitiveness. Successful branding of Uganda products in targeted markets increases competitiveness.

LOA Target	Period Target	Achieved	Remarks
4	2	2	During the year, SCOPE worked on a new strategy of " <i>Branding Uganda</i> " to cover all Ugandan goods and services. The outcome has been a new logo and tagline " <b>Uganda-gifted by Nature</b> " which will be launched by H.E the President of Uganda during the month of October 2005. SCOPE also assisted a fish exporting company to develop and launch its new brand " <b>Kyoga Wild</b> " into the world. As part of third year activity, SCOPE will assist in branding two strategic commodities to achieve the LOA target of 4.

### Indicator 3.1.2: Number of Competitiveness Communications

Media coverage and reporting have been very effective tools in propagating knowledge and awareness of competitiveness and dialogue. Competitiveness communication activities included articles on

competitiveness in newspapers, presentations/workshops on competitiveness to the various publics, press briefings, talk shows on radio; particularly K.FM as well as the newsletters.

LOA Target	Period Target	Achieved	Remarks
160	70	56 in Year 2 (27 in year1)	Cumulatively, SCOPE has registered 83 competitiveness communications which makes up 52% of the LOA target. Twenty seven of these were made in Year 1 and 56 in Year 2 (Details in Annex C). SCOPE has been grounding the media cluster in competitiveness theory and practice and through this grounding, SCOPE has been able to get good and accurate representation in the various media. Presentations on competitiveness have also been made to the various publics in support of cluster initiatives.

#### Indicator 3.2.1: Percent Change in Trade Volume within Selected Agreements

Uganda is a signatory to various trade agreements and these include African Growth Opportunity Act (AGOA), the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC). Although these agreements offer immense trade opportunities for Uganda, Ugandan business community is on the whole unaware of the existence of these opportunities. It is SCOPE's role to demystify these agreements to the business leaders through preparation and dissemination of the "Trade Benchmarking Report". With this knowledge the business community is expected to increase trade under the specified agreements.

LOA Target	Period Target	Achieved	Remarks
10%	6%	-39%	Trade has been growing under the AGOA agreement as depicted in Table 4.13. Exports in SCOPE sub sectors to the EAC and COMESA have however, declined by 51% and 3% respectively (Tables 11 and 12). SCOPE is working on demystifying and disseminating the "Trade Agreements Benchmarking Report" to create awareness among the business community of the opportunities under these agreements. Improvement in this indicator is expected during Year 3 as SCOPE creates awareness and the business community responds.

#### AGOA

Uganda's AGOA agreement offers businessmen opportunities in coffee, dairy, peanuts and apparel among others. Exports under AGOA have more than trebled from US \$ 1.5 million in 2003 to 5.1 in 2004/05 and this represents 20% of all Uganda's exports to the United States of America. (AGOA Competitiveness Report)

#### EAC

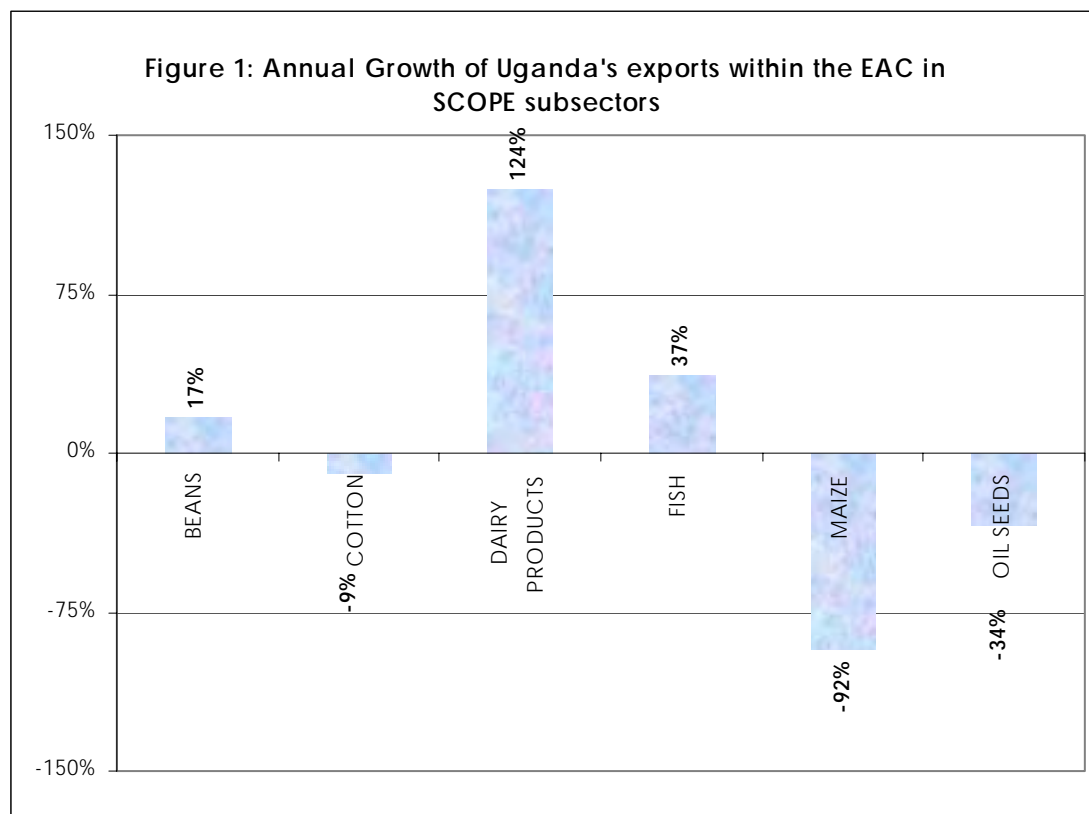
The EAC agreement offers the partner states access to a market of 95 million people. The EAC offers a favorable tax regime for partner states under the various provisions of the agreement.

**Table 4.11: Value of Uganda's exports to the EAC in USD**

	2003/04	2004/05	Annual Growth
Flowers	39	1,698	4274%
Beans	1,813,456	2,116,598	17%
Coffee	5,085	80,036	1474%
Cotton	3,527,778	3,194,475	-9%
Dairy products	201,959	453,015	124%
Fish	2,101,696	2,884,204	37%
Maize	12,151,662	954,391	-92%
Oil seeds	545,901	358,948	-34%
<b>Total</b>	<b>20,347,575</b>	<b>10,043,364</b>	<b>-51%</b>

Source: Uganda Revenue Authority

Table 4.11 above and Figure 1 below illustrate that the value of SCOPE subsector exports to the EAC declined by 51% over the two year period. Despite this overall picture, some major increases were recorded in dairy products, flowers, coffee, fish and beans.



## COMESA

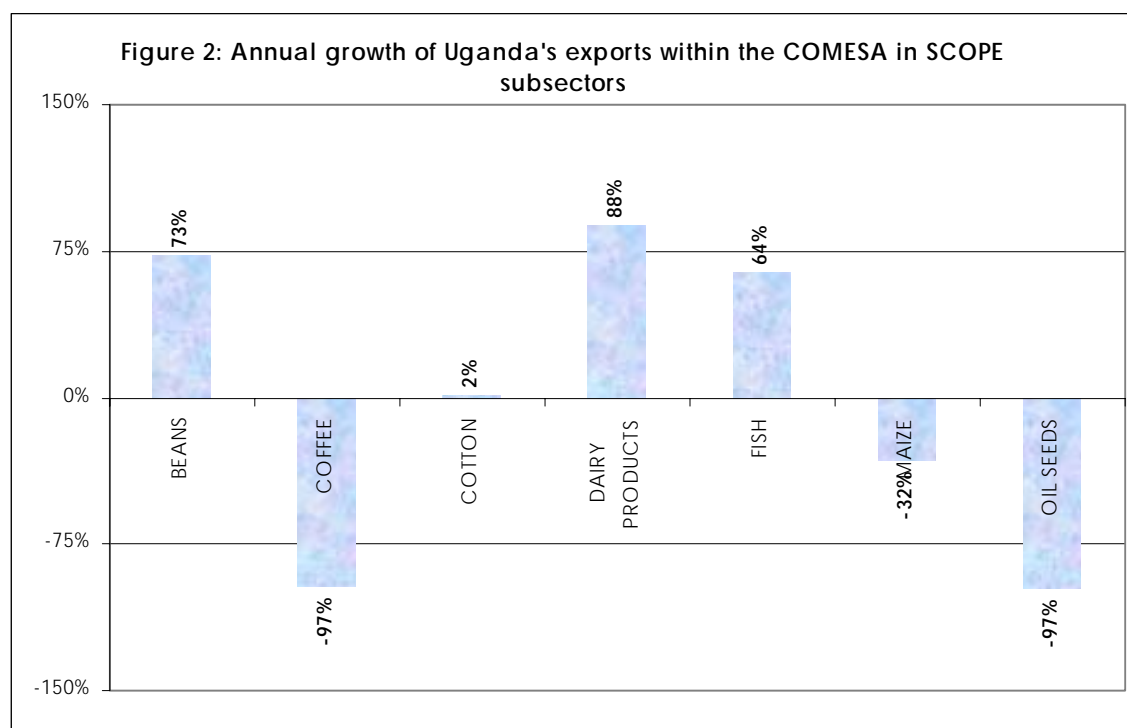
The Common Market for Eastern and Southern Africa (COMESA) region covers 21<sup>4</sup> countries. Benefits under this agreement include lower tax rates and exemptions for member countries. Table 4.12 and

<sup>4</sup> COMESA includes Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.

Figure 2 indicate that although there was an overall decline of 3% in the value of Uganda's exports (in SCOPE subsectors) within the COMESA, increases were recorded in beans, dairy products, and fish.

**Table 4.12: Value of Uganda's exports to COMESA region in USD (excl EAC)**

	2003/04	2004/05	Annual growth
Flowers	-	17,769	
Beans	15,439,600	3,698,640	73%
Coffee	1,128,525	17,740	-97%
Cotton	949,451	1,183,859	2%
Dairy products	630,624	47,474	88%
Fish	1,203,750	2,268,466	64%
Maize	3,131,574	4,847,862	-32%
Oil seeds	40,819	2,066	-97%
<b>Total</b>	<b>22,524,345</b>	<b>12,083,875</b>	<b>-3%</b>



**Table 4.13: Trade under AGOA, EAC and COMESA in USD million**

	Baseline Value of Trade	Value of Trade 2004/05	Annual Growth
AGOA <sup>5</sup>	1.51	5.15	241%
EAC	20.35	10.04	-51%
COMESA	22.52	12.08	-3%
<b>TOTAL</b>	<b>44.38</b>	<b>27.27</b>	<b>-39%</b>

<sup>5</sup> Source: US Department of Commerce, Census Bureau

## Annex A:

### Progress toward Competitiveness through September 2005 – by Sub Sector and Quadrant

Sector	Competitiveness Stage	Competitiveness Determinants by Quadrant			
		Strategy	Factor	Demand	Cluster
Floriculture	Stage 3, with elements of competitiveness under implementation	Meeting with MOFPED, Minister of State for Investment, to discuss potential for him to champion new investment package. Meeting was positive, but follow up delayed due to minister's other commitments  Work continued, but not completed, on draft of general investment package. When finalized and agreed the package will benefit other subsectors as well	SCOPE worked closely with USAID, the Privatization Unit, UFEA and the CAA to facilitate transfer of the cold storage facility at the airport to Fresh Handling, Ltd.  Met with PMA to work on strategy to address factor issues across agricultural sub sectors	Met with UFEA leaders to review options for a new association logo and branding campaign  Reviewed activities related to Flower Ball  Uganda Brand developed. This will reinforce and support company brands in floriculture and other subsectors	Met with PMA to outline way forward with regard to organization of cross-sector public sector support for competitiveness  Updated draft Industry Development Support Program (IDSP)
Fisheries	Stage 2, with draft competitiveness plan completed	The draft of the National Fisheries Competitiveness Plan was completed and presented to private sector working group for further discussion and completion	Concept for organizing both fisher folk and fish farmers within efficient value chains linked to processors developed	Plans for dealing with marketing, branding, etc. were incorporated in draft competitiveness plan	Drafted plan for development of a Uganda Fisheries Alliance, a private sector organization which would incorporate representatives of both capture and aquaculture segments
Coffee	Stage 2, with draft competitiveness plan completed	A coffee stakeholders' workshop was held on 24 <sup>th</sup> May 2005 to discuss and agree on the elements of a national coffee strategy.  Draft National Coffee Competitiveness Plan completed and presented to the coffee private sector working group for discussion and completion	Five producer organization models identified to provide the basis for building sustainable producer organization models	Identification of Mukono University as site for next University Competitiveness Club, which will have as one of its activities, challenge to work out plan for increasing local coffee consumption  Vision for coffee sub sector developed based on concepts of sustainability and traceability as the basis for the national coffee competitiveness plan	Developed approach, outlined in the draft National Coffee Competitiveness Plan, for strengthening private sector organizations and supporting the development of approaches to standards and certification  Developed UCTF Strategic Development Program
Cotton	Stage 2, with draft competitiveness	Elements of cotton strategy developed based on input of	SCOPE worked with a lead ginner to design a	Retrieval of information on potential markets	Facilitated inclusion of UGCEA in RATES regional cotton activities

Sector	Competitiveness Stage	Competitiveness Determinants by Quadrant			
		Strategy	Factor	Demand	Cluster
	plan completed	private sector working group and results of field survey.  Draft National Cotton Competitiveness Plan completed and presented to the Lead Ginners for discussion and completion	producer organization model to form the basis for an industry-wide sustainable production model	for yarn, oilseeds products  Development of market requirements for inclusion in competitiveness plan	
Tourism	Stage 2, with critical elements of competitiveness plan in place	Private sector aspects of industry have been divided into relevant sub segments to facilitate identification of plans and strategies	Meetings held with tour operators and others to clarify issues related to VAT, as well as other issues which make Uganda expensive  Meetings with UWA and other entities to identify product development priorities	Vision for further growth of the industry has been developed  Meetings held with various aspects of industry to review and discuss vision	SCOPE worked with the private sector working group to come up with a concept for a Uganda Tourism Federation (revamped Uganda Tourism Association), to provide a cross-industry venue for private sector organization and focus
Grains	Stage 1, with repositioning strategy and baselines developed	Uganda maize figures in RATES-supported dialogue			Concept for organization structure for UGIA developed for suggestion to group
Oilseeds	Stage 1, with repositioning strategy and baselines developed	SCOPE met with BIDCO, a diversified manufacturer of palm oil products, which has made a \$30 million investment in oil production and processing to identify opportunities for POPP participation	SCOPE held meetings with UOSPA, the Uganda Oilseeds Producers and Processors Association to find ways to integrate that organization into POPP  Attended UOSPA workshop		
Dairy	Stage 1, with repositioning strategy and baselines developed	Dialogue maintained with UDPA			Arrangements made with Land o'Lakes to support policy and advocacy activities for UDPA

## Annex B

### Summary of Findings from Executive Opinion Leaders Survey 2005

Subject	Summary of General Opinion/Perception of Uganda's Business Leaders on the Executive Survey
The Ugandan Economy	The Ugandan economy is growing and will have stronger growth in the next 12 months. Organized efforts to improve competitiveness were mostly non existent in Uganda. The threat of terrorism to business is insignificant and does not pose significant costs on business.
Technology	Uganda's technology advancement and ability to absorb technology were rated as average as were R&D and Internet services. Foreign Direct Investment is an important source of new technology in Uganda and companies in Uganda are aggressive in absorbing technology.
Government & Public Sector	Uganda's public expenditure is perceived as wasteful and does not provide the necessary infrastructure services. The systems are generally burdensome; taxes limit the incentive to work and invest and the tax system is still complex. Customs is slow and inefficient.
Public Institutions	Public institutions are inefficient and subject to manipulation, unreliable and corruption, favoritism and unofficial payments are rampant especially when soliciting loans. The police and its systems are unreliable.
Infrastructure	The infrastructure is poorly developed and inefficient, costly and unreliable for all modes of transport, (rail roads, and port facilities air transport). Passenger air transport was however quoted as extensive and efficient as the world's best.
Human Resources	Labor productivity in Uganda is average as are the wages. Women are marginalized in terms of employment positions and wages. Maternity laws also do not favors employment of women.
Finance	Financial markets are not sophisticated. Banks are unhealthy and obtaining a loan is complicated, getting worse, requires a good business plan and collateral.
Domestic Competition	There is limited competition and imports are major competitors. Market dominance is by a few big enterprises and local suppliers are few and unreliable.
Prevalence of Clusters	Clusters are not common in Uganda.
Company Operations and Strategy	Uganda's competitiveness advantage is due to low prices. Customers are generally treated badly. There is hence need to train business leaders and companies about the importance of customer care.
Environmental and social responsibility	Uganda's laws on environment are generally lax.
International Institutions	The World Bank and the IMF are generally not doing their work effectively in poverty alleviation and creating a pro investment climate. The African Development Bank was quoted by a few as a more effective body.
General Questions	Out of the list of 15 possible constraints to competitiveness, the five most problematic factors (in descending order of importance were defined as: <ol style="list-style-type: none"> <li>1. Access to Finance</li> <li>2. Government Bureaucracy</li> <li>3. Inadequate infrastructure</li> <li>4. Tax rates</li> <li>5. Foreign currency issues</li> </ol>



## Annex C

### Number of Competitiveness Communications Year 2

No		Article Title/Topic	Source and/or Audience	Major points
1	Oct20-04	Competitiveness Awareness	OTF/MTCS/SCOPE	Competitiveness concepts; competitive advantage vs comparative advantage
2	Oct-2004	CompeteUganda! Newsletter Vol1	SCOPE/OTF	Competitiveness Concepts, definitions, poverty creation vs poverty reduction
3	Oct-2004	Competitiveness Awareness Survey Lira	SCOPE/OTF/MTCS	Communicating global competitiveness determinants and evaluating Ugandans' awareness of competitiveness potential in these regions by carrying out competitiveness awareness surveys in these regions, including the media cluster.
4	Oct-2004	Competitiveness Awareness Survey Mbarara	SCOPE/OTF/MTCS	
5	Oct-2004	Competitiveness Awareness Survey Kampala	SCOPE/OTF/MTCS	
6	Oct-2004	Competitiveness Awareness Media Cluster Kampala	SCOPE/OTF/MTCS	
7	Oct, 4th 2004	Rose Farm on high	Media cluster Proc. News pg 2	Larger investments form Floriculture strategy
8	Oct 6th 2004	Increasing Ugandan Competitiveness through a revitalized cotton Industry	SCOPE/APEP/UGCE A	Discussion of issues on how to revitalize Ugandan cotton by increasing production
9	Oct 6th 2004	Building a Competitive Cotton based Industry	SCOPE/COTTON PSWG	Increasing the Competitive Positioning of Ugandan Cotton industry
10	Oct 21st 2004	Toward a National Cotton Industry Business Plan	SCOPE	Making cotton more competitiveness
11	Nov, 1st 2004	Awareness Month launched	Media cluster NV, pg 37	Uganda's first competitiveness awareness month launched
12	Nov, 4th 2004	Competitiveness Newsletter Starts	Media Cluster NV, pg 20	Launch of the CompeteUganda! quarterly newsletter
13	Nov 12th 2004	Strengthening Uganda's National Dairy Industry	SCOPE/Dairy	Increasing the Competitive Positioning of Ugandan Dairy Industry
14	Nov 16th 2004	The Ugandan Grain Industry	SCOPE/Grain	Increasing the Competitive Positioning of Ugandan Grain Industry
15	Nov 30 2004	Towards a competitive Tourism Future	SCOPE/Tourism	Increasing the Competitive Positioning of Ugandan Tourism.
16	Dec-04	Competitiveness Awareness Findings "Bananas to Business"	OTF/MTCS/SCOPE	Uganda's competitiveness positioning & awareness
17	Dec-04	Competitiveness Awareness Findings 2004; SCOPE & Media	OTF/MTCS/SCOPE	Communicating major findings of survey e.g Ugandans are optimistic about the country's future and that most Ugandans are still unclear about the determinants of competitiveness.
18	Dec-04	Competitiveness Awareness Findings Key Public Sector	SCOPE/MTCS/MOFP ED	
19	Dec-04	Competitiveness Awareness Findings	SCOPE/MTCS/MOFP ED	
20	Dec 10th 2004	Competitiveness -- a Framework for Economic Growth	OTF/MTCS/SCOPE/MOFPED	
21	Jan-05	Compete Uganda Newsletter Vol2	SCOPE & SCOPE Partners	Mindset change, competitiveness awareness survey
22	Jan, 31st 2005	Exporters want Agriculture Bank	Media Cluster Procurement News, Pg 11	Budgeting for Competitiveness
23	Feb 14th 2005	Moving Floriculture's Partnerships Forward	SCOPE/UFEA/Pub sector	Requirements for a competitive floriculture subsector
24	Feb 15th 2005	The Role of Clusters in Building Competitiveness	SCOPE/MTCS/UFEA	Explaining how clusters work
25	Feb 23rd 2005	Competitiveness Presentation to Uganda Martyrs University Nkozi	SCOPE/USAID	Development of a University Competitiveness Club (UCC) objectives and expectations
26	Feb 23rd 2005	Private and Public Sectors and Uganda's Floriculture Cluster	SCOPE/UFEA/MTCS/public sector	Implementing partnerships that foster competitiveness
27	Feb 2005	Floriculture Cluster Partnership	SCOPE/UFEA/MTCS	
28	Feb 4th 2005	"A Difficult Puzzle: Can We Say No to Investment?"	SCOPE/Media/Academicians	Making investment decisions that lead to increased competitiveness
29	Feb, 22nd 2005	Flower earnings surpass projection	Media Cluster Monitor	Launch of second phase of the Floriculture Cluster Expansion.

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No		Article Title/Topic	Source and/or Audience	Major points
			Newspaper, Pg 15	
30	Feb, 28th 2005	Competitiveness Club starts in Varsities	Media Cluster The New Vision, Pg 37	Launch of UCC - Nkozi University
31	Mar 10th 2005	Tourism is Uganda's development engine	Media Cluster + Tourism cluster The New Vision, Pg 20	Amos Wekesa interview with Harriette Onyalla on tourism issues
32	Mar 11th 2005	Radio talk show	Media Cluster Monitor FM, 93.3, 7-8pm	Laurel, Michael Gold, Andrew Mwenda on Live Mwenda Live .
33	Mar 14th 2005	Elements of Fisheries Strategy	SCOPE/Fish	Increasing the Competitive Positioning of Ugandan Grain Industry
34	Mar 14th 2005	A qualitative evaluation of alternative development strategies for ugandan fisheries	SCOPE/IFPRI/Fish	Aquaculture as a means of increasing fish production in view of declining fresh water lake supply
35	March 17 2005	POPP Partnership for Oilseed Production and Processing	S	An Economic Growth Cluster for Eastern and Northern Uganda
36	Mar 24th 2005	Nile Perch endangered	Media Cluster The Monitor, Pg 15	Rosebell Kagumire attending a Fisheries meeting
37	Mar 9th 2005	The role of donor Aid	MEDIA CLUSTER/SCOPE	Andrew Mwenda' s opinion on foreign aid
38	Mar, 3rd 2005	Executive talk - A fourth way for Suruma	SCOPE The New Vision, Pg 19	Laurel Druben's article on cooperatives
39	Apr-05	Compete Uganda Newsletter Vol3	SCOPE & SCOPE partners	Cotton, floriculture, introduction of UCC
40	Apr-05	Uganda's Competitiveness Future	SCOPE/MTCS/	Designing models that will produce sustainable competitiveness
41	Apr 5th 2005	Strengthening Uganda's National Coffee Industry	SCOPE/UCTF/UCD A	Increasing the Competitive Positioning of Ugandan Coffee in Global Markets: A Dialogue for Action
42	May 24th 2005	Towards Renewed Coffee Industry Competitiveness	SCOPE/UCTF	Competitiveness Issues in Coffee
43	Jun, 12th 2005	Foreign Aid has not benefitted Africa	Media Cluster Sunday Monitor, Pg 4	Andrew Mwenda's opinion on foreign aid and competitiveness.
44	Jun, 16th 2005	Executive Talk – Coffee needs urgent attention	SCOPE The New Vision, Pg 25	Lilliane Barenzi (SCOPE staff) article on competitiveness
45	Jun, 20th 2005	Uganda Flowers in Japan Market	Media Cluster The Monitor Newspaper, Pg 20	Looking for alternative markets - Henderson's Interview with Monitor
46	Jun, 30th 2005	Much more needed to exploit world markets	SCOPE The New Vision, Pg 11	Lilliane Barenzi (SCOPE staff) article on competitiveness
47	Jul 12th 2005	Towards a Competitive Fisheries Future Competitiveness	WAFICOS/SCOPE	Issues in fisheries
48	Jul 23rd 2005	Finding Uganda Workshop Lira	SCOPE/TERP/students	Developing Uganda's brand values using secondary schools
49	Jul 30th 2005	Finding Uganda workshop Mbale	SCOPE/TERP/students	Competitiveness Diamond and the role of branding in the demand quadrant
50	Jul, 18th 2005	Processors working below capacity as catch declines	Media Cluster The East African, Pg 21	Encouraging production of farmed tilapia - Michael Wakabi
51	Jul-05	Compete Uganda Newsletter Vol4	SCOPE & SCOPE partners	Tourism, taxation and markets
52	Aug 6th 2005	Finding Uganda workshop, Mbarara	SCOPE/TERP/students	Competitiveness Diamond and the role of branding in the demand quadrant
53	Aug, 13th 2005	Finding Uganda workshop, Kampala	SCOPE/TERP/students	Competitiveness Diamond and the role of branding in the demand quadrant

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No		Article Title/Topic	Source and/or Audience	Major points
54	Aug, 26th 2005	Government strikes deal with CNN	Media Cluster The Daily Monitor, Pg 3	Branding Uganda to increase competitiveness
55	Aug 16th 2005	Aquaculture for sustainable development	SCOPE/UFPEA/WA FICOS	Increasing Uganda's competitiveness through enhancing aquaculture initiatives
56	Sep-05	Uganda's brand values	SCOPE/MTTI/MOF A	Uganda's brand values as defined by Uganda's school children

## Annex D

### Matrix of Policy, Legal, Regulatory and Institutional Issues

Sub Sector	Business Environment Issues	Remarks
Cross-Cutting	<ol style="list-style-type: none"> <li>1. Strategic export concept inadequately defined to guide decision-making</li> <li>2. Separation of agriculture from competitiveness framework, into PMA, weakens the MAAIF as major line ministry and agric sector focal point</li> <li>3. Agricultural financing policies and facilities are inadequate to support industry requirements</li> <li>4. Investment policies and programs lack targeted, sub sector focus</li> <li>5. Sub sector policy frameworks are either non-existent, or where in place, fail to provide adequate support for effective private-public partnerships.</li> <li>6. Certain policy issues such as the pace of review of policy and legislation, the appropriate enforcement of regulation, the development of institutional capacity, need to be urgently addressed and widened stakeholder representation made.</li> <li>7. Failure to clearly spell out authorities and responsibilities and encourage coordination among various public sector agencies with regard to sub sector requirements</li> <li>8. Resources for research and extension are public sector-driven and programmed to put existing facilities to work rather than to support industry growth</li> <li>9. Lack of a Comprehensive Investment Incentives package to cater for the productive sectors of the economy.</li> </ol>	SCOPE has studied the business environment and identified a number of cross cutting issues. In a competitive economy, the business environment is responsive to private sector initiative, and public and private sector actors work together to support the ability of the private sector to generate wealth and create jobs. Business environment issues are policy, legal, regulatory, and institutional constraints to effective private/public partnerships.
Floriculture	<ol style="list-style-type: none"> <li>1. Incentives package inadequate to support industry growth targets and decision making process towards putting one in place is too slow.</li> <li>2. Inconsistent application of VAT Statute and Tax Policy resulting in un favorable tax regime</li> <li>3. Lack of infrastructure support policy for new and existing investment areas</li> <li>4. Need to change the unwritten "policy" that support for investment must discriminate between foreign investors and local investors</li> </ol>	A draft floriculture investment package was prepared and shared with key policy makers including the UIA and is ready for presentation to key policy makers. The floriculture business plan identified six areas of private-public partnership that will address issues highlighted here. Work on sensitizing key public sector actors on these partnerships is underway.
Coffee	<ol style="list-style-type: none"> <li>1. VAT and Duty Drawback "receivables" carried by coffee exporters over long periods of time are compounding hardships faced by farmers.</li> <li>2. Involvement of UCDA in replanting and distribution, both functions better handled by the private sector, has created major systemic inefficiencies</li> <li>3. Current division of roles between UCDA and private sector (e.g., UCTF) creates distortions in sub sector management and development</li> <li>4. Inadequate producer organization support policy</li> </ol>	The UCTF is re-examining its roles in light of strategic directions for the industry and is investigating potential for the association to take on more industry support functions
Cotton	<ol style="list-style-type: none"> <li>1. VAT and Duty Drawback receivables carried by cotton ginner/exporters are compounding hardships faced by farmers</li> <li>2. Inadequate producer organization support policy</li> <li>3. Lack of favorable investment package including favorable tax regime, e.g., providing for tax-free inputs such as spare parts for ginneries</li> <li>4. Need for investment policy and program focused specifically on adding value to installed capacity</li> </ol>	A clear division of responsibilities between business associations and government is essential. For example, UGCEA is not perceived as an entity separate from the CDO, and, therefore, is not an effective voice for private sector concerns. It has been observed that addressing issues effectively will require de-linking CDO from UGCEA.

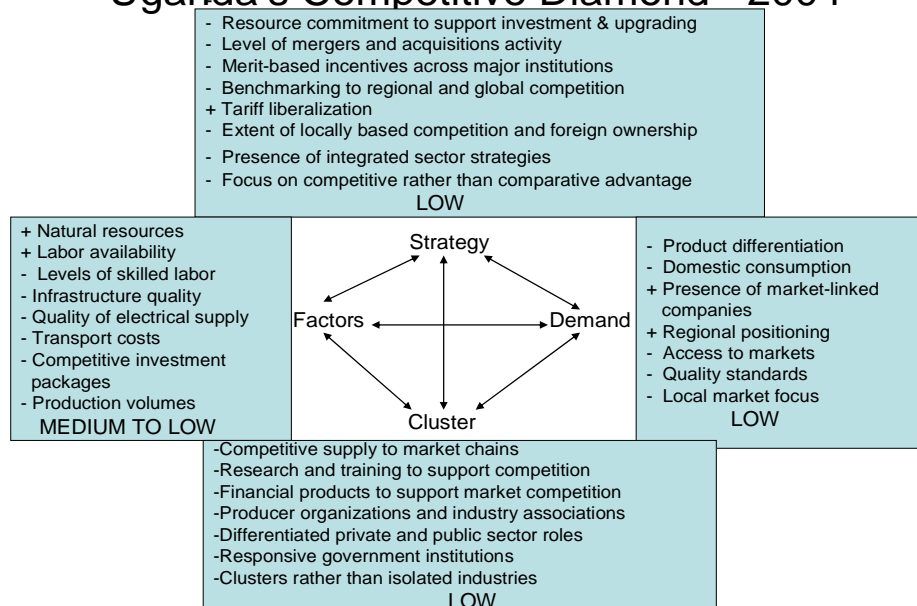
Sub Sector	Business Environment Issues	Remarks
	<ol style="list-style-type: none"> <li>Unclear roles between the CDO and UGCEA result in inefficiencies and distortions within the business value chain.</li> <li>Investment policy bent on attracting new investors without consideration for and providing support for already existing enterprises that are already established in the country.</li> </ol>	<p>There is need for an incentive program (investment credits, tax rebates, etc.) that will encourage expanded re-capitalization of rail, road, and other infrastructure</p> <p>Government needs to create an environment that favors investment, strengthens producer associations and encourages farmers' participation in the processing industry</p>
Dairy	<ol style="list-style-type: none"> <li>Delayed privatization of the Uganda Dairy Corporation affecting growth in the industry.</li> <li>Diversion of Extension Services into NAADS has not supported sub- sector requirements.</li> <li>Product development facilities inadequate to support expanded commercialization</li> <li>Import duty and VAT charged on key inputs making them costly and out of reach, e.g. cattle feeds</li> <li>Poor and inadequate infrastructure affects milk transportation, collection, processing and storage</li> <li>Lack of a quality standards program and mechanism for its enforcement.</li> <li>Low per capita consumption (40litres/capita/annum)</li> </ol>	<p>Demand for milk products continues to grow in Kampala and the region; the supply of milk, however, is inadequate, both in terms of volume and quality. The Uganda Dairy Processors Association is geared towards finding ways to address this situation within the context of the organization's emerging strategic plan.</p>
Fisheries	<ol style="list-style-type: none"> <li>The proposed Fisheries Authority lacks private sector focus and is likely to have the same weaknesses as the CDO and UCDA.</li> <li>Proposal to introduce a levy on fish exports to finance the Authority is likely to increase cost of production in the sector.</li> <li>Unfavorable tax regime (taxes and duty are levied on inputs used in the production of fish for export—e.g. import duty (7%), VAT (17% ), excise duty (10% ), withholding tax (6% ), and import license commission (2% ) are charged on packaging materials. Charges total 42% and equal 50% of value of given consignment (e.g. a consignment that costs 69,472,471/= will attract a total of 31,755,169/= in taxes). No consistency in application of Excise duty, e.g., excise duty assessed on imported boxes for which there is no local manufacturer.)</li> <li>Duty drawback system does not allow for timely refund of import duty</li> <li>Failure to control leakage of Uganda fisheries resources into Kenya creates unwarranted competition.</li> <li>Lack of fisheries-appropriate investment package.</li> <li>Lack of dedicated infrastructure support program leads to high freight costs due to high aviation fuel costs and ground handling charges; high utility costs for water and electricity and Intermittent power supply affecting the sector.</li> <li>uncoordinated licensing of more investments GOU should put in place incentive programs (investment credits, tax rebates, etc.) that will encourage expanded re-capitalization of rail, road, and other infrastructure</li> </ol>	<p>Issues facing the capture fisheries and aquaculture industries have different aspects: the Uganda Fish Processors and Exporters Association (UFPEA), the Uganda Commercial Fish Farmers Association (UCFFA), and the Uganda Fish Farmers Association (UFFA) must find ways to merge the interests of various constituencies in order to come up with an integrated plan.</p>
Grains(Maize and Beans)	<ol style="list-style-type: none"> <li>Lack of post liberalization regulation and policy has led to erratic terms of trade for producers</li> <li>Poor rural physical and financial infrastructure.</li> <li>Lack of mechanisms for enforcement of quality standards</li> </ol>	<p>Industry is aware of need to develop and maintain a regional trading system based on jointly accepted quality system; Industry is working on forming a strong association alliance and support program.</p>

Sub Sector	Business Environment Issues	Remarks
	<ol style="list-style-type: none"> <li>Lack of financial package to support production and marketing of grain.</li> <li>The absence of any international seed certification scheme in <b>Uganda</b> has remained a sticking issue and a major constraint to seed market development</li> <li>Quality control at primary level has broken down. Grading has disappeared at the first point of purchase and different grades and purchased and ginned together.</li> </ol>	The <b>Uganda</b> Seed Trade Association (USTA) recognizes that the removal of such constraints will help the private seed sector in <b>Uganda</b> realize its full potential and improve access by farmers to quality seed.
Tourism	<ol style="list-style-type: none"> <li>The tourism sector is not considered a strategic sector hence not a priority for government despite its revenue and growth potential.</li> <li>Lack of categorization of tourism as an invisible export puts the sector in an unfavorable position as regards incentives resource allocation and other public sector support.</li> <li>Lack of reliable data on the tourism sector as regards number of tourists, their categories and our capacity to offer them adequate services, affecting planning for the sector.</li> <li>Lack of maximization of Uganda's tourism potential and laxity in development of additional tourism products.</li> <li>The sector lacks a cohesive private sector alliance to lead and drive the industry</li> <li>Insecurity in some parts of the country and lack of an aggressive marketing and branding campaign affecting the marketing of Uganda as a safe tourist destination</li> </ol>	The private sector is working on a plan to develop the tourism sector by increasing tourism arrivals/revenues, maximize potential for business /domestic tourism, expanding technical support activities and facilities, develop sustainable ecotourism products, design effective marketing promotion and branding program and strengthen the tourism support system
Oil seeds	<ol style="list-style-type: none"> <li>Lack of a strong private sector alliance an producer organizations.</li> <li>Lack of diversification and inadequate supply of quality seeds with high oil content</li> <li>Lack of collection centers and storage</li> <li>Weak demand for seed cake by product</li> <li>Competition from cheap crude palm oil imports</li> </ol>	Work is underway on ( a ) strengthening producer organization using the POPP model is underway and ( b ) developing way forward for UOSPA.

## Annex E

### Uganda's Competitiveness Diamond

#### Uganda's Competitive Diamond - 2004



*In 2004, Uganda's competitiveness ranking was an overall Low, with Medium to Low only in the factor quadrant where Uganda should rank at least Medium. As the 2006 diamond illustrates, SCOPE will use the project period to fill gaps or make changes in key aspects of each quadrant which will flip minus signs to plus signs and raise Uganda's quadrant rating to Medium. In the strategy quadrant, SCOPE will develop and put into place integrated sector strategies, benchmark Uganda globally and regionally, and expand levels of resource commitment. In the factor quadrant, SCOPE will facilitate actions that reverse the situation with regard to production volumes and competitive investment packages, thus providing models for other activities. In the demand quadrant, SCOPE will undertake branding activities to re-position Uganda in the marketplace. In the cluster quadrant, SCOPE will differentiate private and public sector roles in ways that result in strengthened private sector industry support organizations and support the development of cluster approaches to sub sector and industry growth.*

## Uganda's Competitive Diamond - 2006

